



**CHARTwell**  
retirement residences

making people's  
lives **BETTER**®



# 2015

ANNUAL REPORT

# Highlights of Consolidated Results of Operations

In thousands of Canadian dollars, except occupancy rates and per unit amounts

YEARS ENDED DECEMBER 31	2015	2014
Same property occupancy	91.9%	90.4%
Same property net operating income ("NOI") <sup>(1)</sup>	200,162	196,511
Adjusted funds from operations ("AFFO") - continuing operations <sup>(1) (2)</sup>	118,483	98,765
AFFO per unit diluted - continuing operations <sup>(1) (2)</sup>	0.66	0.56
Total AFFO <sup>(1)</sup>	134,781	128,473
Total AFFO per unit diluted <sup>(1)</sup>	0.75	0.72
Funds from operations ("FFO") - continuing operations <sup>(1) (2)</sup>	128,303	110,100
FFO per unit diluted - continuing operations <sup>(1) (2)</sup>	0.71	0.62
Total FFO <sup>(1)</sup>	146,317	143,040
Total FFO per unit diluted <sup>(1)</sup>	0.81	0.80
Distributions declared	97,917	95,328
Distributions declared per unit	0.55	0.54
Distributions declared as percentage of total AFFO	72.6%	74.2%

<sup>(1)</sup> For a discussion of these metrics, refer to the "Non-GAAP Measures" section of the Management's Discussion and Analysis ("MD&A") contained in the Financial Report section of this Annual Report.

<sup>(2)</sup> Excludes results of Chartwell's U.S. Operations.

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# 2015

## ANNUAL REPORT

# Corporate Social Responsibility (CSR) at Chartwell

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## **“TRUST THROUGH ACCOUNTABILITY”**

We are proud to report on the important progress we have made in 2015 on the five key areas by which we benchmark our CSR: Employee Engagement, Resident Experience, Environmental Stewardship, Corporate Governance and Community Investment.

To view our annual CSR objectives and results please visit [CHARTWELL.COM/ABOUT/CSR](http://CHARTWELL.COM/ABOUT/CSR).



# Message from the President & CEO\*

## **CHARTWELL: INVESTING IN GROWTH, BUILDING ON OPPORTUNITY**



Dear fellow unitholders,

It gives me great pleasure to report to you on our 2015 achievements and I'm proud to say this past year was one of Chartwell's strongest years in its history. That success has been driven by our consistent focus on delivering exceptional services and quality care, complemented by our strategic financing and capital allocation decisions. Together, these critical components give us the opportunity to position ourselves for the coming demographic shifts and to continue to offer sustainable value for our investors.

### **SOME HIGHLIGHTS FROM 2015:**

- Achieved operating improvements across our portfolio from cost control to continued investments in IT initiatives and our online presence strategy, resulting in strong growth in same property performance in 2015 and Q1 2016
- Completed the sale of our U.S. portfolio for US\$847 million
- Created a development pipeline of 12 projects with over 2,000 suites
- Invested over \$600 million in accretive acquisitions in Canada

Across all platforms, we continue to emphasize the importance of our key priorities of Culture and Customer Experience. We believe that good communication and well-defined expectations help to ensure that our employees understand their roles as well as their individual accountability to drive results. Along with investments in onboarding and training, we are focused on a Customer Experience agenda which is already producing impressive results including an unprecedented 9% increase in "Very Satisfied" customers based on our year-over-year Customer Survey results.

*“I’m proud to say this past year was one of Chartwell’s strongest years in its history.”*

As almost 60% of new residents come from referrals, it is well-documented that “Very Satisfied” customers will refer a company at a rate of four times that of a “Satisfied” customer. We believe that our focus on service excellence and engaged employees not only helps make our residents’ lives better every day but is also an investment in our future customer.

Given the upcoming growth in the seniors population, the resulting future demand for retirement accommodation and our industry-leading management platform with high service standards, I’m confident in our ability to build on our successes in 2015 for many years to come.

Thank you for your ongoing support of Chartwell.



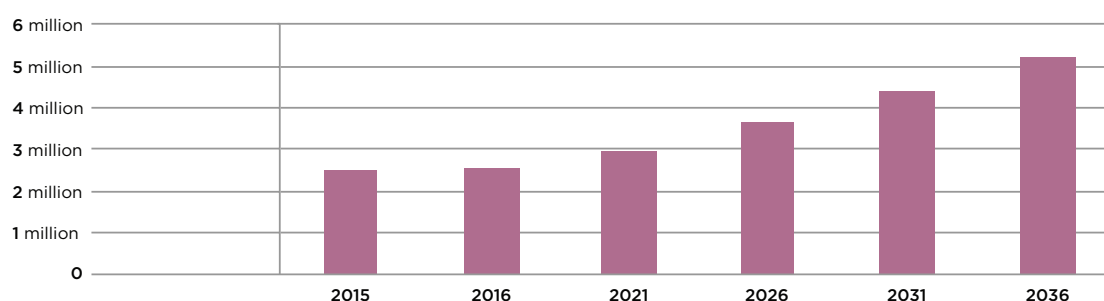
Brent Binions  
President and CEO

*\* This message from the President and CEO contains forward-looking information. Please see the “Forward-Looking Information and Risks and Uncertainties” section of the MD&A contained in the Financial Report section of this Annual Report.*

# Demographic Trends

## SIGNIFICANT FUTURE DEMAND IN CANADA

### Projected Aged 75 and over Population, 2015-2036, Canada



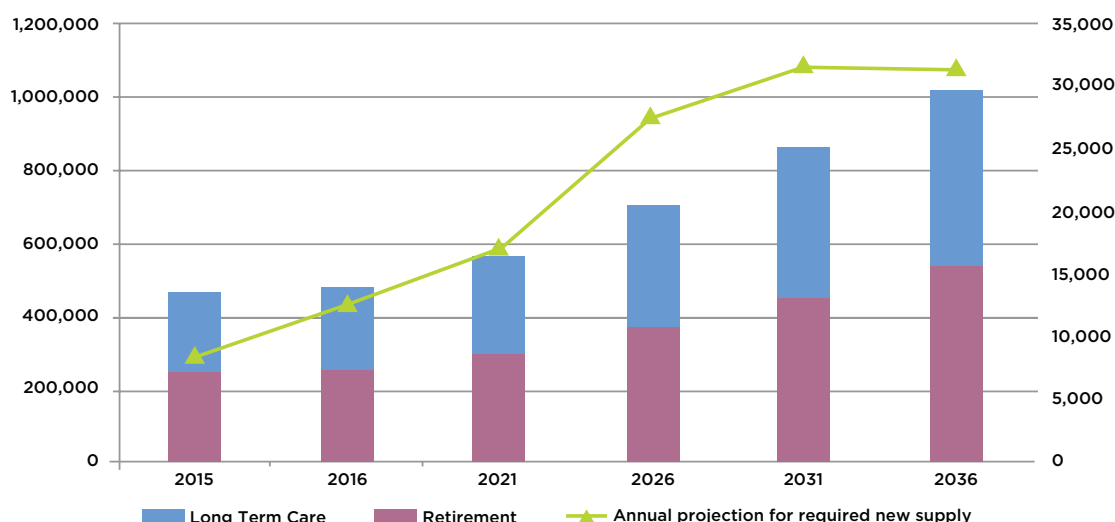
	2015	2016	2021	2026	2031	2036
Projected 75+ Population	2,495,700	2,563,400	3,024,000	3,766,200	4,614,900	5,457,400
Cumulative 75+ Growth from 2014	56,000	123,700	584,300	1,326,500	2,175,200	3,017,700
Average Annual Increase	56,000	67,700	92,120	148,440	169,740	168,500

Source: Statistics Canada, Population Projections for Canada, Provinces, and Territories, 2009 to 2036, Catalogue no. 91-520-X, 2010

- The size of our market more than doubles in the next 20 years
- Current supply is approximately 425,000 suites
- Approximately 600,000 new suites are required by 2036

### Total Supply

### Required Annual Supply



Retirement demand is estimated by applying the current national capture rate of 8.0% (CMHC Seniors Housing Report Canada Highlights, 2014) to 75+ population as reported by Statistics Canada.

LTC demand is estimated based on 97.8 beds per 1,000 people aged 75 and over. This estimate represents the 2005-2010 average LTC Beds/Population ratios reported by Statistics Canada in their Residential Care Facilities reports.



# Development Pipeline

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## **CHARTWELL LE TEASDALE**

TERREBONNE, QC  
343 Suites

**Completed:** May 1, 2016



## **CHARTWELL MALASPINA GARDENS**

NANAIMO, BC  
136 Suites

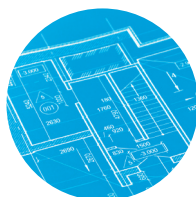
**Expected Completion:** Q3 2017



## **CHARTWELL MONARQUES PHASE II**

ST-EUSTACHE, QC  
98 Suites

**Expected Completion:** Q3 2016



## **CHARTWELL MEADOWBROOK VILLAGE**

LIVELY, ON  
55 Suites

**Expected Completion:** Q3 2017



## **CHARTWELL L'UNIQUE PHASE III**

ST-EUSTACHE, QC  
163 Suites

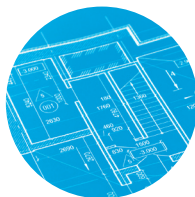
**Expected Completion:** Q1 2017



## **THE SUMACH BY CHARTWELL**

TORONTO, ON  
332 Suites

**Expected Completion:** Q3 2017



## **CHARTWELL BANKSIDE APARTMENTS**

KITCHENER, ON  
58 Suites

**Expected Completion:** Q2 2017



## **CHARTWELL WATERFORD**

OAKVILLE, ON  
128 Suites

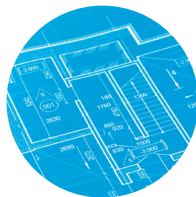
**Expected Completion:** Q3 2017



## **CHARTWELL LE PRESCOTT**

VAUDREUIL, ON  
290 Suites

**Expected Completion:** Q2 2017



## **CHARTWELL LE MONTCALM**

CANDIAC, QC  
276 Suites

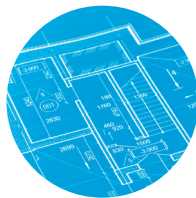
**Expected Completion:** Q4 2017



## **CHARTWELL CARLTON GARDENS**

BURNABY, BC  
105 Suites

**Expected Completion:** Q3 2017



## **CHARTWELL WESCOTT**

EDMONTON, AB  
137 Suites

**Expected Completion:** Q2 2018

# 2015 Acquisitions

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**CHARTWELL  
ISABELLA**  
THUNDER BAY, ON  
94 Suites



**CHARTWELL  
OXFORD GARDENS**  
WOODSTOCK, ON  
185 Suites



**CHARTWELL  
ST. CLAIR BEACH**  
TECUMSEH, ON  
115 Suites



**CLAIR HILLS  
RETIREMENT COMMUNITY**  
WATERLOO, ON  
120 Suites





**CHARTWELL  
MONTGOMERY VILLAGE**  
ORANGEVILLE, ON  
136 Suites



**CHARTWELL  
HARWOOD**  
AJAX, ON  
126 Suites



**CHARTWELL  
VALLEY VISTA**  
MAPLE, ON  
151 Suites



**CHARTWELL  
ROCKCLIFFE**  
OTTAWA, ON  
127 Suites



**CHARTWELL  
GRENADIER**  
TORONTO, ON  
257 Suites



**CHARTWELL  
L'UNIQUE PHASE II**  
ST-EUSTACHE, QC  
90 Suites



**OAK RIDGES  
RETIREMENT COMMUNITY**  
RICHMOND HILL, ON  
129 Suites



**CHARTWELL  
HOLLANDVIEW TRAIL**  
AURORA, ON  
125 Suites



**CHARTWELL  
PICKERING CITY CENTRE**  
PICKERING, ON  
117 Suites



# Pillars of our Business Strategy

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Our business strategy is principally focused on providing quality care and services to our residents, which we believe will help us to achieve sustainable growth in our AFFO per unit and long-term value creation for our unitholders. The following summarizes our key strategic objectives:



## **GROW CORE PROPERTY PORTFOLIO CONTRIBUTION BY:**

- Providing high-quality and expanding service offerings to our residents to maintain and improve resident satisfaction.
- Enhancing our brand recognition.
- Investing in innovative marketing and sales programs to increase customer traffic, sales closing ratios and occupancy.
- Managing rental rates to ensure our properties are competitively positioned in the marketplace.
- Mitigating inflationary pressures on our operating costs through specific vendor management and cost-control initiatives.



## **MAINTAIN A STRONG FINANCIAL POSITION BY:**

- Maintaining sufficient liquidity to execute on our strategic priorities.
- Staggering debt maturities over time to reduce financing and interest rate risks.
- Financing our properties with long-term debt where applicable, while managing interest costs.

## IMPROVE QUALITY AND EFFICIENCY OF OUR CORPORATE SUPPORT SERVICES BY:

- Implementing information technology solutions to better understand our customers, communicate with our employees, and reduce administrative time commitment in the field.
- Continuously reviewing our administrative and operating processes in order to increase efficiencies and improve support services provided to our operating teams.



## BUILD VALUE OF OUR REAL ESTATE PORTFOLIO BY:

- Managing our real estate portfolio and individual assets to maximize long-term value through market analysis and research, prudent capital planning, strategic repositioning and divestiture.
- Innovatively developing modern, market specific and operationally efficient seniors communities that remain competitive over the long term.
- Accretively growing our real estate portfolio with newer properties by consolidating the fragmented industry.





# FINANCIAL REPORT

For the Year Ended December 31, 2015

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Chartwell Retirement Residences (“Chartwell” or the “Trust”) has prepared the following management’s discussion and analysis (the “MD&A”) to provide information to assist its current and prospective investors’ understanding of the financial results of Chartwell for the year ended December 31, 2015. This MD&A should be read in conjunction with Chartwell’s audited, consolidated financial statements for the years ended December 31, 2015 and 2014, and the notes thereto (the “Financial Statements.”) This material is available on Chartwell’s website at [www.chartwell.com](http://www.chartwell.com). Additional information about Chartwell, including its Annual Information Form (“AIF”) for the year ended December 31, 2015, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

The discussion and analysis in this MD&A is based on information available to management as of February 25, 2016.

All references to “Chartwell,” “we,” “our,” “us” or the “Trust” refer to Chartwell Retirement Residences and its subsidiaries, unless the context indicates otherwise. For ease of reference “Chartwell” and the “Trust” are used in reference to the ownership and the operation of retirement and long term care communities and the third-party management business of Chartwell. The direct ownership of such communities and operation of such business is conducted by subsidiaries of the Trust.

In this document, “Q1” refers to the three-month period ended March 31; “Q2” refers to the three-month period ended June 30; “Q3” refers to the three-month period ended September 30; “Q4” refers to the three-month period ended December 31; “2015” refers to the calendar year 2015; “2014” refers to the calendar year 2014 and “YTD” means year-to-date.

Unless otherwise indicated, all comparisons of results for 2015 and Q4 2015 are in comparison to results from 2014 and Q4 2014, respectively.

In this document we use a number of performance measures that are not measures defined in generally accepted accounting principles (“GAAP”) such as Funds from Operations (“FFO”), Adjusted Funds from Operations (“AFFO”), Net Operating Income (“NOI”), “Same Property NOI,” “Same Property Revenue,” “Same Property Direct Operating Expenses,” “G&A Expenses as a percentage of Revenue,” “Interest Coverage Ratio,” “Indebtedness Ratio,” “Adjusted EBITDA,” “Net Debt to Adjusted EBITDA Ratio,” “Chartwell’s Interest,” “Distributions Declared as a Percentage of Total AFFO” and any related per unit amounts to measure, compare and explain the operating results and financial performance of the Trust (collectively, the “Non-GAAP Measures”). These Non-GAAP Measures do not have a standardized meaning prescribed by International Financial Reporting Standards (“IFRS”) and, therefore, may not be comparable to similar measures presented by other publicly-traded entities. Please refer to the “Joint Arrangements” and “Non-GAAP Measures” sections of this MD&A for details.

The results of operations of our United States Operations segment (the “U.S. Portfolio”) are reported as discontinued operations throughout this MD&A. Unless otherwise indicated, all comparative amounts have been restated to conform to the current-period presentation.

All dollar references, unless otherwise stated, are in Canadian dollars. Amounts in United States (“U.S.”) dollars are identified as U.S.\$.

This document contains forward-looking information based on management’s expectations, estimates and projections about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry as of the date of this MD&A. Refer to the “Forward-Looking Information and Risks and Uncertainties” section of this MD&A for more information.



## Business Overview

Chartwell is an unincorporated, open-ended trust governed by the laws of the Province of Ontario. We indirectly own and manage a portfolio of seniors housing communities across the complete continuum of care, all of which are located in Canada.

### ***Our Continuum of Care:***

- Independent living (“IL”) - Age-qualified suites/ townhouses/ bungalows with availability of providing meals and dining, housekeeping and laundry services without personal care services/personal assistance available.
- Independent supported living (“ISL”) - Age-qualified suites/ townhouses/ bungalows with dining, housekeeping and laundry services with personal assistance services available.
- Assisted living (“AL”) - Age-qualified suites with a base level of personal assistance services included in the service fee, in a separate wing, floor or building. Additional care services may be added on top of base fee.
- Memory care (“MC”) - Age-qualified suites with personal care services included in base fee for persons with Alzheimer’s disease or some other form of dementia, in a separate/secure wing, floor or building.
- Long term care (“LTC”) – Access to 24-hour nursing care or supervision in a secure setting, assistance with daily living activities and high levels of personal care. Admission and funding is overseen by local government agencies in each province.

### ***Our Vision is...*** Making People’s Lives Better

### ***Our Mission is...***

- to provide a happier, healthier and more fulfilled life experience for seniors;
- to provide peace of mind for our residents’ loved ones; and
- to attract and retain employees who care about making a difference in our residents’ lives.

### ***Our Values are...***

Respect – We honour and celebrate seniors

Empathy – We believe compassion is contagious

Service Excellence – We believe in providing excellence in customer service

Performance – We believe in delivering and rewarding results

Education – We believe in lifelong learning

Commitment – We value commitment to the Chartwell family

Trust – We believe in keeping our promises and doing the right thing



The following is the composition of our owned and managed portfolio of seniors housing communities in our two operating segments at December 31, 2015:

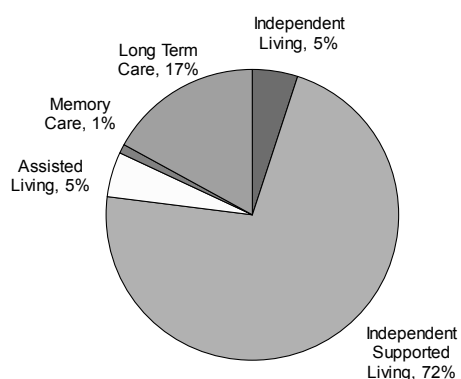
	Canadian Retirement Operations		Canadian Long Term Care Operations		Total	
	Communities	Suites/Beds	Communities	Suites/Beds	Communities	Suites/Beds
<b>Owned Communities:</b> <sup>(1)</sup>						
100% Owned – operating	107	13,371	24	3,134	131	16,505
Partially Owned – operating <sup>(2)</sup>	47	8,368	-	-	47	8,368
<b>Total Owned</b>	<b>154</b>	<b>21,739</b>	<b>24</b>	<b>3,134</b>	<b>178</b>	<b>24,873</b>
<b>Managed Communities</b>	<b>3</b>	<b>510</b>	<b>4</b>	<b>608</b>	<b>7</b>	<b>1,118</b>
<b>Total</b>	<b>157</b>	<b>22,249</b>	<b>28</b>	<b>3,742</b>	<b>185</b>	<b>25,991</b>

(1) Where a community provides more than one level of care, it has been designated according to the predominant level of care provided, type of licensing and funding received and internal management responsibility.

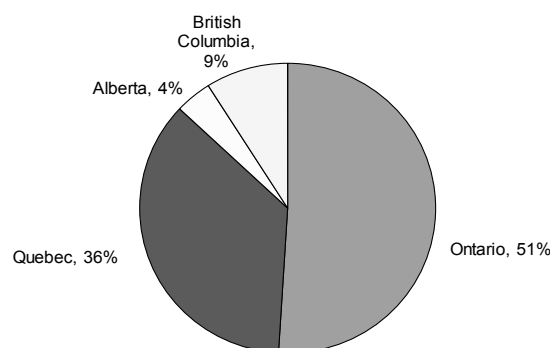
(2) We have a 50% ownership interest in these communities with the exception of three retirement communities and one medical office building in which we have an 85% ownership interest.

### Composition of Portfolio of Owned Suites at Chartwell's Share of Ownership Interest, at December 31, 2015 by:

#### Level of Care



#### Geographic Location



## Business Strategy

Our business strategy is principally focused on providing exceptional services and quality care to our residents, which we believe will help us to achieve sustainable growth in our AFFO per unit and long-term value creation for our unitholders. The following summarizes our key strategic objectives:

### ***Grow core property portfolio contribution by:***

- Providing high-quality and expanding service offerings to our residents to maintain and improve resident satisfaction.
- Enhancing our brand recognition.
- Investing in innovative marketing and sales programs to increase customer traffic, sales closing ratios and occupancy.
- Managing rental rates to ensure our properties are competitively positioned in the marketplace.
- Mitigating inflationary pressures on our operating costs through specific vendor management and cost-control initiatives.

### ***Maintain a strong financial position by:***

- Maintaining sufficient liquidity to execute on our strategic priorities.
- Staggering debt maturities over time to reduce financing and interest rate risks.
- Financing our properties with long-term debt where applicable, while managing interest costs.

### ***Improve quality and efficiency of our corporate support services by:***

- Implementing information technology solutions to better understand our customers, communicate with our employees, and reduce administrative time commitment in the field.
- Continuously reviewing our administrative and operating processes in order to increase efficiencies and improve support services provided to our operating teams.

### ***Build value of our real estate portfolio by:***

- Managing our real estate portfolio and individual assets to maximize long-term value through market analysis and research, prudent capital planning, strategic repositioning and divestiture.
- Innovatively developing modern, market specific and operationally efficient seniors communities that remain competitive over the long term.
- Accretively growing our real estate portfolio with newer properties by consolidating the fragmented industry.

The following summarizes the progress we made in executing our strategy in 2015:

<b>Grow core property portfolio contribution</b>	<ul style="list-style-type: none"> <li>Improved brand awareness and online and social media strategies continue to generate increased initial contacts and personal visits.</li> <li>Same property NOI <sup>(1)</sup> increased \$3.7 million or 1.9% in 2015 and \$1.6 million or 3.2% in Q4 2015.</li> <li>Same property occupancy improved to 91.9% in 2015, compared to 90.4% in 2014, and reached 93.1% in Q4 2015, with all operating platforms posting strong occupancy gains.</li> </ul>
<b>Maintain a strong financial position</b>	<ul style="list-style-type: none"> <li>At December 31, 2015, we had cash on hand <sup>(2)</sup> of \$8.9 million and \$163.1 million of available borrowing capacity under our secured, revolving operating credit facility ("Credit Facility").</li> <li>Interest Coverage Ratio <sup>(1)</sup> increased to 2.84 in 2015 compared to 2.45 in 2014 and reached 3.18 in Q4 2015.</li> <li>Net Debt to Adjusted EBITDA Ratio <sup>(1)</sup> decreased to 7.6 at December 31, 2015 compared to 8.5 at December 31, 2014.</li> <li>Indebtedness Ratio <sup>(1)</sup> was 49.7% at December 31, 2015 compared to 55.0% at December 31, 2014.</li> </ul>
<b>Improve quality and efficiency of our corporate support services</b>	<ul style="list-style-type: none"> <li>Ongoing updates to our website generating significant improvements to several key online metrics with our monthly average web traffic increasing by 6% in 2015.</li> <li>Continued optimization of our unique call centre that now assists close to 1,400 prospective customers and their family members per month.</li> <li>Ongoing reviews of corporate support processes generate improved and more efficient services being provided to our operating teams.</li> </ul>
<b>Build value of our real estate portfolio</b>	<ul style="list-style-type: none"> <li>Completed the sale of the U.S. Portfolio for U.S.\$847.0 million on June 30, 2015. Proceeds from the sale, after repayment of debt, amounted to approximately \$416.0 million.</li> <li>Completed two development projects totalling 60 suites with an additional 12 projects totalling 2,121 suites in various stages of development. <sup>(3)</sup></li> <li>Completed acquisitions of interests in 13 properties in Canada for \$585.2 million. <sup>(4)</sup></li> <li>Divested three non-core properties in Canada.</li> </ul>

(1) Non-GAAP; refer to the "Non-GAAP Measures" section of this MD&A.

(2) Non-GAAP; includes Chartwell's Interest in equity accounted investments of \$5.9 million. Refer to the "Joint Arrangements" section of this MD&A for details.

(3) Includes projects by Batimo Inc.

(4) Excluding accounting adjustments, deferred and contingent future consideration.

## 2016 Outlook

Economic conditions in Canada remain challenging, particularly in the regions with oil-dependent economies. Our exposure to the Alberta market is limited to seven properties (755 suites) and these properties continue to exhibit high occupancy rates. We believe that the Alberta seniors housing market will remain strong and that the current economic weakness may create growth opportunities in the province.

The development activity in our markets has been and is expected to continue to be robust. We believe that the impact of these developments will be largely mitigated by the projected increasing growth in the seniors population in 2016 and beyond.

We expect that interest rates will continue to stay low with increases in 2016, if any, to be gradual, which should be positive for our ability to finance new acquisitions and developments and for refinancing of maturing debt. We also expect that, partly as a result of this low interest rate environment, the housing markets will continue to be stable.

### ***Canadian Retirement Operations***

We expect to generate moderate growth through occupancy increases and rate increases in line with competitive market conditions in our Canadian Retirement Operations segment.

We believe that our ongoing investments in branding, marketing and sales initiatives have allowed and will continue to allow us to increase awareness of Chartwell's name, prospect traffic to our residences and our occupancies. With our focus on enhancing customer experience at our residences, we expect to continue to grow our revenues including revenues from additional care and services. We expect to continue our focus on managing controllable costs through ongoing operations efficiency reviews, centralized purchasing and energy management programs.

- In Ontario, our same property occupancy improved to 87.6% in 2015 from 85.9% in 2014 and reached 89.1% in Q4 2015 as the pace of new supply has been more in line with the growth of the seniors population and the markets began to absorb excess inventory. With the sale of certain non-core assets in 2014, we repositioned our Ontario portfolio toward more modern and competitive properties and our 2015 acquisitions further improved its quality. We expect to see ongoing occupancy improvements in 2016 and average rental rate growth of approximately 2.5%.
- Our Western Canada platform delivered strong performance in 2015 with same property portfolio occupancy reaching 94.7% in Q4 2015. The supply/demand conditions remain generally stable in Western Canada. We expect consistently high occupancies in our Western Canada platform and average rental rate growth of approximately 3.0% in 2016.
- In Quebec, a number of large operators announced significant multiyear development programs. We also continue our development activities in the province in partnership with Batimo Inc. ("Batimo"). We believe that this anticipated growth in inventory is a reflection of the strong demographic trends and older existing inventory. Our Quebec portfolio occupancies gradually improved throughout 2015 with Q4 2015 occupancy in the same property portfolio reaching 93.0%. We expect consistently high occupancies in our Quebec platform and average rental rate growth of approximately 2.5% in 2016.

### ***Canadian Long Term Care Operations***

In 2015, our Canadian LTC same property portfolio NOI declined by 3.8%, driven by lower ancillary revenues, higher utilities and repairs and maintenance expenses, partially offset by higher preferred accommodation revenues. Our occupancies remain high at 98.7%. We expect stable performance and high occupancies in 2016 as there are approximately 25,000 people on the waiting list for LTC accommodation in Ontario. We continue our work with the industry association and the Ontario

government to develop a viable redevelopment program for the remaining Class B and Class C beds in the province. We have nine properties with 876 beds subject to redevelopment.

## ***General, Administrative and Trust Expenses***

We believe our G&A expenses are at a sustainable level that allows us to appropriately invest in training and development of our staff and in improving our information management systems and corporate support processes. We will continue our efficiency reviews of corporate processes and purchasing practices for goods and services to mitigate inflationary pressures on our G&A expenses.

## ***Development***

Development continues to be one of our core growth strategies. In 2015, we completed construction of two additions (60 suites) to existing residences in our Ontario Retirement Portfolio. We also acquired an 85% interest in another 90-suite addition to our existing residence in Quebec, constructed by Batimo. At this time our internal development pipeline consists of seven development projects with 951 suites and we are participating in five other projects by Batimo totalling 1,170 suites. We continue to source and evaluate other development opportunities, including partnerships with other developers.

## ***Acquisitions***

In 2015, we acquired interests in 13 properties. We are evaluating a number of other potential acquisitions in our core markets and continue to proactively search for additional opportunities to add newer, well-located and well-built properties to our portfolio.

## ***Dispositions***

As part of our ongoing review of our real estate portfolio, we may identify assets that no longer fit with the strategic direction of our company due to their age, location or other attributes. In 2015, in addition to the sale of the U.S. Portfolio, we completed sales of our interests in three non-core properties in Quebec.

## ***Taxation***

In 2015, 49.6% of our distributions were classified as non-eligible dividend, 37.2% as non-taxable capital dividend, 11.8% as other income and 1.4% as return of capital. In 2015, we incurred \$1.3 million of income taxes in one of our subsidiaries related to the capital gain on settlement of the foreign exchange swap arrangements entered into on the sale of the U.S. Portfolio. Based on our current forecasts, we expect to have sufficient deductions and losses carried forward to eliminate any specified investment flow through ("SIFT") taxes in 2016.

## ***Distributions***

On February 25, 2016, we announced our second annual increase in monthly distributions. Monthly cash distributions will increase by 2.0% from \$0.045900 per unit (\$0.550800 on an annualized basis) to \$0.046818 per unit (\$0.561816 on an annualized basis) effective for the March 31, 2016 distribution payable on April 15, 2016.

## Significant Events

The following events have had a significant effect on our financial results in 2015 and may be expected to affect our results in the future.

### **Acquisitions**

On May 4, 2015, we completed the acquisition of a 94-suite retirement residence in Thunder Bay, Ontario. The purchase price was \$22.1 million before closing costs and was settled in cash.

On June 1, 2015, we completed the acquisition of our joint-venture partner's 50% interests in the 117-suite Chartwell Pickering City Centre Retirement Residence ("Pickering") and the 151-suite Chartwell Valley Vista Retirement Residence ("Valley Vista"), both located in Ontario, for \$40.1 million. We now own 100% interests in these properties. The purchase price was partially settled by the assumption of our partner's share of mortgages, totalling \$19.8 million, with the remainder paid in cash. A mortgage mark-to-market adjustment of \$2.1 million was recorded on one of the assumed mortgages.

On July 31, 2015, we completed the acquisition of The Grenadier Retirement Residence (257 suites and 66,800 square feet of commercial space) in Toronto, Ontario for \$84.0 million. The purchase price was settled in cash.

On August 5, 2015, we completed the acquisition of an 85% interest in Chartwell L'Unique Phase II Retirement Residence ("Phase II") in Ste. Eustache, Quebec for \$15.4 million. The vendor, Batimo, has retained a 15% interest in the property. This 90-suite Phase II addition is connected to the 169-suite Chartwell L'Unique Retirement Residence co-owned by Chartwell and Batimo. Phase II opened in April 2015 and was 70% leased at the time of acquisition. The purchase price was settled by the assumption of an 85% share of the construction loan of \$10.9 million, settlement of our mezzanine loan to Batimo of \$1.5 million, with the remainder paid in cash. The construction loan bears interest at 5.0% and is expected to be refinanced with a long-term, fixed-rate mortgage upon the property achieving stabilized occupancy. On closing, Batimo provided us with a 12-month NOI guarantee of \$0.2 million.

On September 11, 2015, we acquired from three separate vendor groups, three retirement residences in Ontario totalling 447 suites for an aggregate purchase price of \$171.7 million. One of the acquired properties has excess land for the potential development of up to 69 additional suites. Included in the purchase price for this property is \$1.0 million related to this excess land and a deferred payment of \$1.9 million due on the third anniversary of closing. The vendor of another property provided us with a 24-month occupancy support of up to \$2.5 million and undertook, at their cost, to convert certain common spaces in the building into four additional suites within 12 months.

On November 9, 2015, we acquired from separate groups of vendors, five retirement residences in Ontario totalling 616 suites for an aggregate purchase price of \$253.9 million before closing costs, mortgage mark-to-market and tax adjustments. The purchase price was settled by the assumption of two mortgages totalling \$51.5 million bearing interest at a weighted average rate of 4.5% with the average term to maturity of 4.6 years, the issuance of \$15.0 million of exchangeable Class B Units of Chartwell Master Care LP, with the remaining balance paid in cash. One of the acquired properties is subject to a land lease that expires in 2056. We recorded a mortgage mark-to-market adjustment of \$5.1 million with respect to the assumed mortgages. We also recorded a deferred tax liability and goodwill in the amount of \$8.2 million.

The acquisitions of two properties have been structured as acquisitions of interests in limited partnerships that own the related retirement residences. We own all outstanding Class C units of these partnerships and the affiliates of the vendors own all outstanding Class R units. Under the partnership agreements Class C units are entitled to quarterly distributions totalling \$4.8 million for 2016, increasing by 3% per annum thereafter until December 31, 2018. Class R units are entitled to residual distributions up to a certain maximum. Once such maximum is reached, the remaining distributions will be made in the ratio of 65% to Class C units and 35% to Class R units. The vendors of these properties and their affiliates

provided the limited partnerships with net operating income guarantees sufficient to effect the required Class C distributions. Signature Senior Living, an affiliate of one of the vendors, will continue to manage these two properties until December 31, 2018. In January 2019, we will be required to acquire all outstanding Class R units. The purchase price will be equal to the excess of the actual combined net operating income achieved for the year ended December 31, 2018, over the guaranteed income for that year, divided by 6.25%. Chartwell's interest in these two properties is accounted for using the equity method of accounting.

The following table summarizes acquisitions completed in 2015:

(\$000s, except communities and suites/beds)	Q1 2015	Q2 2015 <sup>1</sup>	Q3 2015	Q4 2015	2015	2014
Number of communities	-	3	5	5	13	5
Number of suites/beds	-	362	794	616	1,772	531
Contractual purchase price, excluding deferred consideration	-	62,176	269,164	253,871	585,211	87,368
<i>Accounting adjustments:</i>						
Estimated present value of deferred consideration	-	-	1,506	-	1,506	-
Goodwill	-	-	-	8,216	8,216	-
Valuation of Class B Units	-	-	-	136	136	-
Mortgage mark-to-market adjustment	-	2,088	-	5,124	7,212	-
Adjusted purchase price	-	64,264	270,670	267,347	602,281	87,368
<i>Settled as follows:</i>						
Cash	-	42,374	258,465	187,359	488,198	44,315
Mezzanine loan settlement	-	-	1,455	-	1,455	-
Assumed mortgages – contractual amounts	-	19,802	9,244	51,512	80,558	43,053
Mortgage mark-to-market	-	2,088	-	5,124	7,212	-
Class B Units	-	-	-	15,136	15,136	-
Estimated present value of deferred consideration	-	-	1,506	-	1,506	-
Deferred tax liability	-	-	-	8,216	8,216	-
Total	-	64,264	270,670	267,347	602,281	87,368

## Dispositions

On June 2, 2015, we completed the sale of Villa val-des-Arbres Residence (“VVDA”) in Laval, Quebec for \$8.0 million. The purchase price was settled by the purchaser assuming the existing \$5.2 million mortgage, a vendor take back mortgage of \$1.5 million, with the balance received in cash.

On June 30, 2015, we completed the sale of the U.S. Portfolio. The gross sale price was U.S.\$847.0 million. The U.S. Portfolio was encumbered by mortgage debt with the principal amount of U.S.\$439.0 million, bearing interest at a weighted average rate of 5.85% per annum. The mortgage debt, including mortgage prepayment costs, was repaid using proceeds from the sale. This sale allows us to fully focus on the Canadian seniors housing markets where we believe we have a strong competitive advantage due to the quality of our management platform and our scale. The sale also reduces operating risk by removing the reliance on third-party management and eliminates U.S. mortgage refinancing and foreign exchange risks.



In our Financial Statements and throughout this MD&A, results of operations of the U.S. Portfolio are reported as discontinued operations. Comparative 2014 amounts have been restated to conform with this treatment.

On November 11, 2015, we completed the sale of two non-core LTC residences (343 beds) in Quebec for \$10.2 million before closing costs. Mortgages totalling \$11.5 million bearing interest at the weighted average rate of 4.87% were assumed by the purchaser on closing.

## ***Development***

In accordance with our strategy to innovatively develop modern, market-specific and operationally efficient seniors communities that remain competitive over the long term, we maintain a moderate internal development program. We also partner with other reputable developers in order to gain access to attractive sites in strong markets.

In 2015, we completed two development projects:

- A 30-suite expansion at Chartwell Georgian Traditions Retirement Residence in Collingwood, Ontario, inclusive of additional ISL suites and a 22-bed memory living environment was completed in Q2 2015 and is currently fully occupied. Total development costs are \$7.7 million and the unlevered yield is 10.8%.
- A 30-suite seniors apartment building at Chartwell Tranquility Place Retirement Residence opened in October 2015 and is currently 50% leased. Total development costs are \$7.7 million and the expected unlevered yield is 7.7%. We own a 50% interest in this project.

The following table summarizes projects that are in various stages of development as of the date of this MD&A:

Project	Location	Suites / Beds	Current Project Status	Estimated Development Costs <sup>(1)</sup> (\$ millions)	Expected Completion Date	Expected Stabilization Date	Expected Unlevered Yield <sup>(2)</sup>
Chartwell Waterford Retirement Residence	Oakville, ON	128	Pre-development	39.9	Q3 2017	Q4 2019	8.2%
Chartwell Carlton Gardens Retirement Residence	Burnaby, BC	105	Pre-development	35.3	Q3 2017	Q1 2020	7.9%
Chartwell Malaspina Gardens Care Residence	Nanaimo, BC	136	Construction	27.5	Q3 2017	Q3 2017	8.4%
Chartwell Bankside Apartments	Kitchener, ON	58	Pre-development	17.0	Q2 2017	Q1 2019	7.8%
Chartwell Regent Park Apartments <sup>(3)</sup>	Toronto, ON	332	Pre-development	91.4	Q3 2017	Q3 2019	7.0%
Chartwell Meadowbrook Village	Lively, ON	55	Pre-development	17.4	Q3 2017	Q3 2018	8.9%
Chartwell Windemere Retirement Residence	Edmonton, AB	137	Pre-development	45.4	Q2 2018	Q3 2020	7.2%
		951		273.9			
<b>Projects by Batimo: <sup>(4)</sup></b>							
Chartwell Le Teasdale <sup>(5)</sup>	Terrebonne, QC	343	In construction	N/A	Q2 2016	Q4 2016	N/A
Chartwell Monarques Phase II	Ste. Eustache, QC	98	In construction	N/A	Q3 2016	Q3 2018	N/A
Chartwell L'Unique Phase III <sup>(6)</sup>	Ste. Eustache, QC	163	In construction	N/A	Q1 2017	Q3 2018	N/A
Chartwell Le Prescott <sup>(7)</sup>	Vaudreuil, QC	290	In construction	N/A	Q2 2017	Q4 2018	N/A
Chartwell Le Montcalm <sup>(8)</sup>	Candiac, QC	276	Pre-development	N/A	Q4 2017	Q2 2019	N/A
		1,170					
		<b>2,121</b>					

(1) Non-GAAP; includes imputed cost of capital and lease-up losses.

(2) Non-GAAP; defined as first year stabilized NOI divided by development costs.

(3) Chartwell expects to own a 45% interest in this project. Welltower and Daniels Corporation are expected to own 45% and 10% interests, respectively.

(4) Chartwell manages pre-opening and lease-up of these Batimo projects and expects to acquire an 85% interest in these projects upon stabilization.

(5) Chartwell advanced a mezzanine loan of \$5.9 million on this project.

(6) Chartwell expects to advance a \$2.7 million mezzanine loan on this project.

(7) Chartwell expects to advance a \$5.2 million mezzanine loan on this project.

(8) Chartwell expects to advance a \$5.4 million mezzanine loan on this project.

## Joint Arrangements

IFRS 11 – Joint Arrangements requires certain joint arrangements that were previously accounted for using line-by-line proportionate (“line-by-line”) consolidation to now be accounted for using the equity method. Under IFRS 11, as applied to Chartwell, equity accounting is required where an interest in a joint arrangement is held through a separate legal entity such as a limited partnership or corporation; however, where an interest is held directly, line-by-line consolidation continues to apply.

The following table summarizes the details of our joint arrangements and related accounting methods:

Joint Arrangements	# of Properties	Suites/Beds	Chartwell Ownership	Method of Accounting
Chartwell-Welltower Landlord <sup>(1)(2)</sup>	38	7,410	50%	Line-by-line
Chartwell-Welltower Operator <sup>(1)(2)</sup>	Same as above	Same as above	50%	Equity
Batimo	4	357	85%	Line-by-line
Oakville	1	147	50%	Equity
Constantia	1	121	50%	Equity
Riverside	1	138	50%	Line-by-line
Churchill	1	98	50%	Line-by-line
Kamloops	1	97	50%	Line-by-line
Clair Hills <sup>(3)</sup>	1	120	Refer to note <sup>(3)</sup>	Equity
Oak Ridges <sup>(3)</sup>	1	129	Refer to note <sup>(3)</sup>	Equity

(1) Chartwell directly holds its interest in real estate but its interest in operations is held through separate legal entities.

(2) On July 2, 2014, one property (196 suites) previously held by Chartwell-Welltower Landlord and operated by Chartwell-Welltower Operator was sold.

(3) Chartwell owns 100% of Class C units of these limited partnerships. Certain affiliates of the vendors own 100% of Class R units. Please refer to the “Significant Events” section of this MD&A for a description of each class of the limited partnership units.

On June 1, 2015, we acquired the remaining 50% interest in Pickering and Valley Vista. Prior to this acquisition, we accounted for Pickering using the equity method of accounting and for Valley Vista using the line-by-line method.

Throughout this document, amounts reported at ‘Financial Statement basis’ are prepared in accordance with IFRS, and amounts reported at ‘Chartwell’s Interest,’ a non-GAAP measure, represent Chartwell’s proportionate share of interests in our entire portfolio of investments excluding discontinued operations. Refer to the “Non-GAAP Measures – Chartwell’s Interest” section of this MD&A for a detailed description of this measure and reconciliations of Chartwell’s Interests to Financial Statement basis of presentation.

We believe that presenting the operating and financial results of our joint arrangements at Chartwell’s Interest, a non-GAAP basis, provides useful information to current and prospective investors to assist them with their understanding of our financial performance by providing transparency of revenue earned, expenses incurred, as well as assets and liabilities held through joint arrangements. Management uses this measure when making strategic and operational decisions at the portfolio level.

# Consolidated Results of Operations

## Highlights

The following table summarizes selected financial and operating performance measures:

(\$000s, except occupancy rates and per unit amounts)	Q4 2015	Q4 2014	Change	2015	2014	Change
Resident revenue <sup>(1)</sup>	201,686	183,529	18,157	750,127	714,320	35,807
Weighted average occupancy rate - same property portfolio <sup>(2)</sup>	93.1%	91.4%	1.7pp	91.9%	90.4%	1.5pp
Same property NOI <sup>(3)</sup>	51,288	49,719	1,569	200,162	196,511	3,651
AFFO - continuing operations <sup>(4)</sup>	36,252	26,627	9,625	118,483	98,765	19,718
AFFO per unit diluted - continuing operations <sup>(5)(6)</sup>	0.20	0.15	0.05	0.66	0.56	0.10
Total AFFO <sup>(4)</sup>	36,252	32,667	3,585	134,781	128,473	6,308
Total AFFO per unit diluted <sup>(5)(6)</sup>	0.20	0.18	0.02	0.75	0.72	0.03
FFO - continuing operations <sup>(7)</sup>	38,484	29,405	9,079	128,303	110,100	18,203
FFO per unit diluted - continuing operations <sup>(5)(6)</sup>	0.21	0.17	0.04	0.71	0.62	0.09
Total FFO <sup>(7)</sup>	38,484	36,173	2,311	146,317	143,040	3,277
Total FFO per unit diluted <sup>(5)(6)</sup>	0.21	0.20	0.01	0.81	0.80	0.01
Distributions declared <sup>(8)</sup>	24,735	23,910	825	97,917	95,328	2,589
Distributions declared per unit <sup>(6)</sup>	0.14	0.14	-	0.55	0.54	0.01
Distributions declared as a percentage of total AFFO <sup>(9)</sup>	68.2%	73.2%	(5.0pp)	72.6%	74.2%	(1.6pp)
Net income/(loss) - continuing operations	(1,361)	(12,715)	11,354	12,139	(26,030)	38,169
Net income/(loss)	562	(16,280)	16,842	362,233	(8,279)	370,512

(1) Non-GAAP; reported at Chartwell's Interest. Resident revenue per Financial Statements was \$173.4 million and \$643.9 million in Q4 2015 and 2015, respectively (\$157.3 million and \$611.3 million in Q4 2014 and 2014, respectively). Refer to the "Joint Arrangements" section of this MD&A for details of this calculation.

(2) pp = percentage points.

(3) Non-GAAP; reported at Chartwell's Interest. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

(4) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for the details of the AFFO and AFFO per unit diluted calculations.

(5) Includes dilutive impact of conversion of convertible debentures into Trust Units.

(6) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts.

(7) Non-GAAP; refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for the reconciliation of FFO to net income/(loss) and calculations of FFO per unit diluted.

(8) Non-GAAP; includes distributions declared on Trust Units, Class B Units and Deferred Trust Units ("DTUs").

(9) Non-GAAP; refer to the "Non-GAAP Measures – Distributions Declared as a Percentage of Total AFFO" section of this MD&A for details of this calculation.

For 2015, AFFO from continuing operations was \$118.5 million or \$0.66 per unit diluted, a 20.0% increase from \$98.8 million or \$0.56 per unit diluted in 2014. The following items impacted the change in AFFO from continuing operations:

- higher NOI of \$16.8 million consisting of a \$3.7 million increase in same property NOI and a \$13.1 million contribution from acquisitions and developments, net of the impact of property sales;
- higher NOI guarantees of \$1.7 million;

- lower interest expense of \$4.9 million, primarily due to lower loan balances outstanding and lower interest rates achieved on refinancing of properties, as well as lower early mortgage repayment costs; and
- lower G&A expenses of \$0.8 million, primarily due to lower severance and legal costs;

partially offset by:

- proceeds from the settlement of certain tax matters of \$3.1 million in 2014;
- the reversal of a previously-recorded provision for impairment of mezzanine loans of \$1.2 million in 2014; and
- other items combined of \$0.2 million.

**Fourth Quarter:** For Q4 2015, AFFO from continuing operations was \$36.3 million or \$0.20 per unit diluted, a 36.1% increase from \$26.6 million or \$0.15 per unit diluted in Q4 2014. The following items impacted the change in AFFO from continuing operations:

- higher NOI of \$9.3 million consisting of a \$1.6 million increase in same property NOI and a \$7.8 million contribution from acquisitions, net of the impact of property sales;
- higher NOI guarantees of \$0.8 million; and
- lower interest expense of \$0.3 million, primarily due to lower loan balances outstanding and lower interest rates achieved on refinancing of properties;

partially offset by:

- higher G&A expenses of \$0.6 million, primarily due to higher staffing costs to support newly acquired properties; and
- other items combined of \$0.1 million.

Total AFFO increased \$6.3 million or 4.9% in 2015. In addition to the items listed above, this increase is due to a positive effect of the foreign exchange rates on our U.S. operations, partially offset by the proceeds of the settlement of litigation in the U.S. in 2014 of \$3.4 million for which there was no comparable amount in 2015. In Q4 2015, total AFFO increased \$3.6 million or 11.0% reflecting, in addition to the items listed above, the completion of the sale of the U.S. Portfolio in Q2 2015.

For 2015, FFO from continuing operations was \$128.3 million or \$0.71 per unit diluted compared to \$110.1 million or \$0.62 per unit diluted in 2014. In Q4 2015, FFO from continuing operations was \$38.5 million or \$0.21 per unit diluted, an increase from \$29.4 million or \$0.17 per unit diluted in Q4 2014. Total FFO increased \$3.3 million in 2015 and \$2.3 million in Q4 2015.

In addition to the items noted in the discussion of AFFO above, FFO from continuing operations was also impacted by changes in amortization of financing costs and debt mark-to-market adjustments.

In 2015, net income from continuing operations was \$12.1 million compared to net loss from continuing operations of \$26.0 million in 2014. For Q4 2015, net loss from continuing operations was \$1.4 million compared to \$12.7 million in Q4 2014. In addition to the items noted in the discussion of AFFO and FFO above, net income from continuing operations was also impacted by depreciation of properties and amortization of limited life intangibles, transaction costs arising on business acquisitions and dispositions, changes in fair value of financial instruments, gains on sales of assets net of related taxes, deferred income taxes and gains on remeasurement of previously-held interests in step acquisitions.

For 2015, net income was \$362.2 million compared to net loss of \$8.3 million in 2014. In Q4 2015, net income was \$0.6 million compared to net loss of \$16.3 million in Q4 2014. In addition to the items noted in the discussion of net income from continuing operations, net income was affected by the results of discontinued operations which is comprised of the results of operations of the U.S. Portfolio and the gain on sale thereof, net of tax.

Refer to the “Non-GAAP Measures” section of this MD&A for a discussion of the calculation of AFFO, FFO and per unit amounts.

## Same Property Portfolio Highlights

(\$000s, except occupancy rates)	Q4 2015	Q4 2014	Change	2015	2014	Change
Canadian retirement:						
NOI <sup>(1)</sup>	44,390	42,041	2,349	172,468	167,711	4,757
Occupancy	91.9%	89.9%	2.0pp	90.5%	88.8%	1.7pp
Canadian LTC:						
NOI <sup>(1)</sup>	6,898	7,678	(780)	27,694	28,800	(1,106)
Occupancy	98.8%	98.7%	0.1pp	98.7%	98.6%	0.1pp
Combined:						
NOI <sup>(1)(2)</sup>	51,288	49,719	1,569	200,162	196,511	3,651
Occupancy	93.1%	91.4%	1.7pp	91.9%	90.4%	1.5pp

(1) Non-GAAP; reported at Chartwell's Interest.

(2) Non-GAAP. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

In 2015, combined same property occupancy was 91.9% compared to 90.4% in 2014 with same property NOI increasing \$3.7 million or 1.9% as follows:

- In our Canadian retirement portfolio, same property NOI increased 2.8%. The growth in revenues, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions, was partially offset by higher staffing costs incurred to improve services delivered to our residents as well as higher food, insurance, utilities and property tax expenses.
- In our Canadian LTC portfolio, same property NOI decreased 3.8%, primarily due to lower ancillary revenues, higher utilities and repairs and maintenance expenses, partially offset by higher preferred accommodation revenues.

**Fourth Quarter:** In Q4 2015, combined same property occupancy was 93.1% compared to 91.4% in Q4 2014 with same property NOI increasing \$1.6 million or 3.2% as follows:

- In our Canadian retirement portfolio, same property NOI increased 5.6%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower marketing costs as we accelerated our investments in marketing in the first half of 2015. This was partially offset by higher staffing costs incurred to improve services delivered to our residents and higher utilities and food expenses.
- In our Canadian LTC portfolio, same property NOI decreased 10.2%, primarily due to lower ancillary revenues and higher utilities and repairs and maintenance expenses, partially offset by higher preferred accommodation revenues.

## Summary of Net Operating Income

(\$000s, except occupancy rates)	Q4 2015	Q4 2014	Change	2015	2014	Change
<b>Resident Revenue</b>						
Same property <sup>(1)(2)</sup>	178,324	173,194	5,130	691,265	671,435	19,830
Acquisitions and other <sup>(1)(2)</sup>	23,362	10,335	13,027	58,862	42,885	15,977
	201,686	183,529	18,157	750,127	714,320	35,807
Less: Share of resident revenue from joint ventures	28,273	26,198	2,075	106,213	103,055	3,158
Total resident revenue	173,413	157,331	16,082	643,914	611,265	32,649
<b>Direct Operating Expenses</b>						
Same property <sup>(1)(2)</sup>	127,036	123,475	3,561	491,103	474,924	16,179
Acquisitions and other <sup>(1)(2)</sup>	13,255	8,000	5,255	38,911	36,044	2,867
	140,291	131,475	8,816	530,014	510,968	19,046
Less: Share of direct operating expenses from joint ventures	17,789	16,511	1,278	66,479	64,615	1,864
Total direct operating expenses	122,502	114,964	7,538	463,535	446,353	17,182
<b>Net Operating Income</b>						
Same property <sup>(1)(2)</sup>	51,288	49,719	1,569	200,162	196,511	3,651
Acquisitions and other <sup>(1)(2)</sup>	10,107	2,335	7,772	19,951	6,841	13,110
	61,395	52,054	9,341	220,113	203,352	16,761
Less: Share of net operating income from joint ventures	10,484	9,687	797	39,734	38,440	1,294
Total net operating income	50,911	42,367	8,544	180,379	164,912	15,467
Weighted average occupancy rate - same property portfolio	93.1%	91.4%	1.7pp	91.9%	90.4%	1.5pp
Weighted average occupancy rate - total portfolio excluding discontinued operations	91.8%	90.5%	1.3pp	90.7%	88.8%	1.9pp

(1) Non-GAAP; reported at Chartwell's Interest.

(2) Non-GAAP. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Total resident revenue increased 5.3% in 2015 and increased 10.2% in Q4 2015. The changes in resident revenue were primarily due to increased revenue in our same property portfolio and a growing revenue contribution from acquisitions and developments, partially offset by the reduction in revenue from the sales of non-core properties in 2014 and 2015.

Same property resident revenue increased \$19.8 million or 3.0% in 2015 and \$5.1 million or 3.0% in Q4 2015, primarily as a result of higher occupancies and regular annual rental rate increases in line with competitive market conditions.

Total direct operating expenses increased 3.8% in 2015 and 6.6% in Q4 2015. The changes in direct operating expenses were primarily due to higher expenses in our same property portfolio, acquisitions and developments and a reduction in expenses from the sales of non-core properties in 2014 and 2015.

Same property direct operating expenses increased \$16.2 million or 3.4% in 2015 and \$3.6 million or 2.9% in Q4 2015, primarily due to higher staffing costs incurred to deliver enhanced services to our residents, higher utilities, insurance and property tax expenses. In Q4 2015, same property direct operating expenses were impacted by lower marketing costs as we accelerated our marketing investments in the first half of 2015.



## General, Administrative and Trust Expenses

(\$000s, except percentage of revenue)	Q4 2015	Q4 2014	Change	2015	2014	Change
G&A expenses	(7,581)	(6,950)	(631)	(30,771)	(31,582)	811
G&A expenses as a percentage of revenue <sup>(1)</sup>	3.7%	3.7%	-	4.0%	4.3%	(0.3pp)

(1) Non-GAAP; refer to the “Non-GAAP Measures – G&A Expenses as a Percentage of Revenue” section of this MD&A for a discussion of the significance of this metric and a reconciliation of revenue used in the calculation of this measure to our Financial Statements.

G&A expenses decreased \$0.8 million or 2.6% in 2015, primarily due to lower severance and legal costs, partially offset by higher staffing costs incurred to provide enhanced support to our communities, including new acquisitions.

G&A expenses, as a percentage of revenue at Chartwell’s Interest, were 4.0% in 2015 compared to 4.3% in 2014.

**Fourth Quarter:** G&A expenses increased \$0.6 million or 9.1% in Q4 2015, primarily due to higher staffing costs incurred to provide enhanced support to our communities, including new acquisitions and timing of certain other expenses.

G&A expenses, as a percentage of revenue at Chartwell’s Interest, were 3.7% in Q4 2015 and Q4 2014.

## Management Fee Revenue

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Welltower	1,522	1,374	148	5,939	5,663	276
Other	455	474	(19)	1,876	1,820	56
Total management fee revenue	1,977	1,848	129	7,815	7,483	332

Management fee revenue increased 4.4% in 2015 and 7.0% in Q4 2015, primarily due to higher fees earned from properties co-owned with or managed for Welltower and Batimo.

## Interest on Loans Receivable

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Interest on loans receivable	361	192	169	1,142	461	681

Interest on loans receivable increased primarily due to higher loan balances outstanding in 2015.

At December 31, 2015, we had \$15.8 million of loans receivable outstanding. Vendor take back (“VTB”) loans totalling \$7.5 million were granted to two different purchasers in connection with the sales of our non-core properties in 2014 and 2015. The loans are secured by subordinated charges against the sold properties and guaranteed by the purchasers and their affiliated entities, where applicable.

At December 31, 2015, mezzanine and other loans of \$8.3 million were due from the entities affiliated with Batimo. These loans are secured by various charges against related real estate, guaranteed by Batimo and contain certain cross-collateralization and cross-default provisions.

Loans receivable bear interest at rates ranging from 8.0% to 12.0%.

## Finance Costs

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Mortgages and loans payable <sup>(1)</sup>						
Same property <sup>(2)</sup>	13,725	15,005	(1,280)	56,736	61,459	(4,723)
Acquisitions and other <sup>(2)</sup>	2,136	1,135	1,001	5,724	4,230	1,494
	15,861	16,140	(279)	62,460	65,689	(3,229)
Convertible debentures	1,938	1,940	(2)	7,690	7,695	(5)
Credit Facility and other interest expense	596	597	(1)	2,737	4,353	(1,616)
	18,395	18,677	(282)	72,887	77,737	(4,850)
Amortization of financing costs and debt mark-to-market adjustments <sup>(1)</sup>	(63)	(58)	(5)	(139)	(478)	339
	18,332	18,619	(287)	72,748	77,259	(4,511)
Interest capitalized to properties under development	(71)	(67)	(4)	(239)	(240)	1
Distributions on Class B Units recorded as interest expense	281	222	59	956	889	67
	18,542	18,774	(232)	73,465	77,908	(4,443)
Less: Share of finance costs from joint ventures	474	349	125	1,388	1,524	(136)
Total finance costs	18,068	18,425	(357)	72,077	76,384	(4,307)

(1) Non-GAAP; reported at Chartwell's Interest.

(2) Non-GAAP. Refer to the "Non-GAAP Measures – Same Property Performance" section of this MD&A for a discussion of the significance of this metric.

Interest expense on the same property portfolio decreased \$4.7 million in 2015 and decreased \$1.3 million in Q4 2015, primarily due to lower interest rates achieved on mortgage renewals and lower outstanding loan balances.

Credit Facility and other interest expense decreased \$1.6 million in 2015 primarily due to lower early mortgage repayment costs offset by higher interest expense on our Credit Facility in 2015.

Amortization of financing costs and debt mark-to-market adjustments decreased \$0.3 million in 2015 primarily as a result of acceleration of amortization of mark-to-market adjustments and financing costs upon refinancing of certain mortgages.

## Other (Expense)/Income

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Transaction costs arising on business acquisitions and dispositions <sup>(1)</sup>	(4,468)	(61)	(4,407)	(13,834)	(2,886)	(10,948)
Interest and other income <sup>(1)</sup>	911	1,022	(111)	3,584	4,902	(1,318)
Impairment of assets net of reversals	(3,000)	-	(3,000)	(3,755)	1,245	(5,000)
Gain on remeasurement to fair value of existing interests <sup>(1)</sup>	-	-	-	10,452	435	10,017
Gain on sale of assets <sup>(1)</sup>	266	(69)	335	4,974	7,095	(2,121)
Property lease expense <sup>(1)</sup>	(98)	(97)	(1)	(400)	(394)	(6)
	(6,389)	795	(7,184)	1,021	10,397	(9,376)
Less: Share of other (expense)/income from joint ventures	(1,749)	40	(1,789)	(1,648)	50	(1,698)
Total other (expense)/income	(4,640)	755	(5,395)	2,669	10,347	(7,678)

(1) Non-GAAP; reported at Chartwell's Interest.

Transaction costs arising on business acquisitions and dispositions are expensed as incurred and fluctuate from period to period based on the timing and volume of transactions. Transaction costs related to the sale of the U.S. Portfolio are reported in discontinued operations.

Interest and other income in 2015 and Q4 2015 primarily relates to interest income on capital funding receivable. In Q2 2014 we received \$0.8 million in settlement of certain commodity tax matters which was recorded as other income in 2014.

In 2015, we recorded impairment provision of \$5.4 million on four properties in Quebec and Ontario, partially offset by a reversal of previously-recorded impairment provision of \$1.6 million related to two properties in Quebec which were subsequently sold on November 11, 2015. In 2014, we reversed a \$1.2 million previously-recorded provision for impairment of mezzanine loans receivable on collection of the related mezzanine loan.

Gain on remeasurement to fair value of existing interest of \$10.5 million in 2015 relates to the remeasurement of the original 50% interests in Pickering and Valley Vista upon acquisition of the remaining 50% interests from our joint-venture partner.

Gain on sale of assets includes a \$3.3 million gain on the sale of VVDA completed in 2015. In 2014, we sold our interests in 15 properties and recognized a gain on sale of \$6.1 million.

## Other Items

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Depreciation of PP&E <sup>(1)</sup>	(35,682)	(34,732)	(950)	(117,583)	(123,288)	5,705
Amortization of intangible assets <sup>(1)</sup>	(155)	(179)	24	(678)	(1,511)	833
Changes in fair value of financial instruments and foreign exchange (loss)/gain <sup>(1)</sup>	(6,417)	(7,569)	1,152	(2,331)	(15,656)	13,325
Current income tax (expense)/benefit <sup>(1)</sup>	1,456	600	856	(1,340)	2,222	(3,562)
Deferred income tax (expense)/benefit <sup>(1)</sup>	8,216	-	8,216	8,216	-	8,216

(1) Non-GAAP; reported at Chartwell's Interest.

Depreciation of PP&E increased \$0.9 million in Q4 2015 primarily due to depreciation of properties acquired in 2015 and decreased \$5.7 million in 2015 primarily due to certain assets becoming fully depreciated in 2014 and 2015.

Amortization of intangible assets decreased \$0.8 million in 2015 due to certain intangible assets becoming fully depreciated in 2015.

Changes in fair value of financial instruments and foreign exchange loss/(gain) result from changes in the market value of the underlying financial instruments and foreign exchange rate movements. These amounts are expected to fluctuate from period to period due to changes in financial markets. In Q3 2015, we recorded a realized foreign exchange gain of \$11.2 million related to conversion of net proceeds from the sale of the U.S. Portfolio to Canadian dollars.

Current income tax expense in 2015 primarily relates to the capital gain on settlement of the foreign exchange swap arrangements entered into on the sale of the U.S. Portfolio. Current income tax benefit in 2014 includes a \$2.2 million SIFT tax refund for the 2007 taxation year received in Q1 2014.

Deferred tax benefit of \$8.2 million in 2015 was recorded to recognize a portion of previously unrecognized deferred tax assets as a result of the acquisition of one property.

## Summary of Results of Operations by Segment

The following section provides an analysis of the operating performance of each of our operating segments in 2015 and Q4 2015.

Where a community provides more than one level of care, it has been designated to a segment according to the predominant level of care provided, type of licensing and funding provided and internal management responsibility.

All results are presented at Chartwell's Interest (refer to the "Non-GAAP Measures" section of this MD&A.)

### Canadian Retirement Operations

The following table summarizes the composition of our Canadian Retirement Operations:

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
<b>Same Property</b>							
100% owned	92	771	9,485	514	73	483	11,326
50% owned	42	499	6,677	511	61	45	7,793
Total same property owned	134	1,270	16,162	1,025	134	528	19,119
<b>Acquisitions, Development &amp; Other</b>							
100% owned – operating	15	-	1,831	164	50	-	2,045
Partially owned – operating <sup>(1)</sup>	5	73	404	98	-	-	575
Total acquisitions, development & other	20	73	2,235	262	50	-	2,620
<b>Total</b>	<b>154</b>	<b>1,343</b>	<b>18,397</b>	<b>1,287</b>	<b>184</b>	<b>528</b>	<b>21,739</b>

(1) Includes one medical office building. Chartwell owns an 85% interest in four of these properties and a 50% interest in one property.

The following table presents the results of operations of our Canadian Retirement Operations:

(\$000s, except occupancy rates)	Q4 2015	Q4 2014	Change	2015	2014	Change
<b>Revenue</b>						
Same property	121,029	116,240	4,789	471,658	454,758	16,900
Acquisitions, development and other	23,362	10,335	13,027	58,862	42,885	15,977
Total revenue	144,391	126,575	17,816	530,520	497,643	32,877
<b>Direct Operating Expenses</b>						
Same property	76,639	74,199	2,440	299,190	287,047	12,143
Acquisitions, development and other	13,254	8,000	5,254	38,911	36,044	2,867
Total direct operating expenses	89,893	82,199	7,694	338,101	323,091	15,010
<b>Net Operating Income</b>						
Same property	44,390	42,041	2,349	172,468	167,711	4,757
Acquisitions, development and other	10,108	2,335	7,773	19,951	6,841	13,110
Total net operating income	54,498	44,376	10,122	192,419	174,552	17,867
Weighted average occupancy rate - same property	91.9%	89.9%	2.0pp	90.5%	88.8%	1.7pp
Weighted average occupancy rate – total portfolio	90.6%	89.0%	1.6pp	89.3%	87.1%	2.2pp

Same property revenue increased 3.7% in 2015, primarily due to higher occupancies and regular annual rental rate increases in line with competitive market conditions.

Same property direct operating expenses increased 4.2% in 2015, primarily due to higher staffing costs incurred to deliver enhanced services to our residents, higher food, utilities and insurance expenses.

Same property NOI increased \$4.8 million or 2.8% in 2015 as follows:

- Our Ontario retirement platform same property NOI increased \$1.2 million or 1.7%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions, partially offset by higher staffing, food, utilities, insurance and property tax expenses.
- Our Western Canada platform same property NOI increased \$1.6 million or 3.9%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower utilities expenses, partially offset by higher staffing, food, insurance and property tax expenses.
- Our Quebec platform same property NOI increased \$2.0 million or 3.5%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions, partially offset by higher staffing, food and insurance expenses.

The following table summarizes our annual weighted average occupancy rates in our Canadian retirement same property portfolio:

	2015	2014	Change
Ontario	87.6%	85.9%	1.7pp
Western Canada	93.2%	90.9%	2.3pp
Quebec	91.7%	90.2%	1.5pp
Total	90.5%	88.8%	1.7pp

In 2015, occupancies in our Canadian retirement same property portfolio were 90.5%, a 1.7 percentage point increase from 2014.

**Fourth Quarter:** Same property NOI increased \$2.3 million or 5.6% in Q4 2015 as follows:

- Our Ontario retirement platform same property NOI increased \$0.9 million or 5.2%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower marketing expenses, partially offset by higher staffing, utilities and food expenses.
- Our Western Canada platform same property NOI increased \$0.6 million or 6.0%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower utilities expenses, partially offset by higher staffing and food expenses.
- Our Quebec platform same property NOI increased \$0.8 million or 5.8%, primarily due to higher occupancies, regular annual rental rate increases in line with competitive market conditions and lower marketing expenses. These were partially offset by higher staffing, office and general expenses.

The following table summarizes our quarterly weighted average occupancy rates in our Canadian retirement same property portfolio:

	Q4 2015	Q4 2014	Change	Q3 2015	Change
Ontario	89.1%	86.4%	2.7pp	87.6%	1.5pp
Western Canada	94.7%	92.2%	2.5pp	93.3%	1.4pp
Quebec	93.0%	91.7%	1.3pp	91.9%	1.1pp
Total	91.9%	89.9%	2.0pp	90.6%	1.3pp

In Q4 2015, occupancies in our Canadian retirement same property portfolio were 91.9%, a 2.0 percentage point increase from Q4 2014 and a 1.3 percentage point increase from Q3 2015 with all regional platforms posting strong occupancy gains.

## Canadian Long Term Care Operations

The following table summarizes the composition of our Canadian Long Term Care Operations:

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
Same property - 100% owned	24	-	134	-	-	3,000	3,134
Total	24	-	134	-	-	3,000	3,134

The following table presents the results of operations of our Canadian Long Term Care Operations:

(\$000s, except occupancy rates)	Q4 2015	Q4 2014	Change	2015	2014	Change
Same property revenue	57,295	56,954	341	219,607	216,677	2,930
Same property direct operating expenses	50,397	49,276	1,121	191,913	187,877	4,036
Total net operating income	6,898	7,678	(780)	27,694	28,800	(1,106)
Weighted average occupancy rate – same property	98.8%	98.7%	0.1pp	98.7%	98.6%	0.1pp

Same property NOI decreased 3.8% in 2015, primarily due to lower ancillary revenues, higher utilities and repairs and maintenance expenses, partially offset by higher preferred accommodation revenues.

Weighted average occupancies in the same property portfolio increased to 98.7% in 2015 compared to 98.6% in 2014.

**Fourth Quarter:** Same property NOI decreased 10.2% in Q4 2015, primarily due to lower ancillary revenues, higher utilities and repairs and maintenance expenses, partially offset by higher preferred accommodation revenues.

Weighted average occupancies in the same property portfolio increased to 98.8% in Q4 2015 compared to 98.7% in Q4 2014.

## Financial Position

### Balance Sheet Analysis

The following table summarizes the significant changes in our assets, liabilities and equity per our Financial Statements for December 31, 2015 compared to December 31, 2014.

	Increase / (Decrease) (\$millions)	Explanation
Total assets	(105.9)	Total assets decreased primarily due to the sales of the U.S. Portfolio and non-core Canadian properties, partially offset by acquisitions and capital additions to properties.
Total liabilities	(401.8)	Total liabilities decreased primarily due to reduction in mortgages payable and other liabilities as a result of the sale of the U.S. Portfolio and non-core Canadian properties, partially offset by liabilities related to newly-acquired properties.
Equity	295.9	The increase in equity is primarily due to gains on sale of assets, partially offset by distributions on Trust Units.

## Outstanding Units Data

The following table summarizes changes in the number of outstanding units during 2015:

	Trust Units	Trust Units under LTIP	Class B Units	Deferred Trust Units	Total
Balance December 31, 2014	173,485,992	1,640,764	1,641,323	692,049	177,460,128
Trust Units issued pursuant to the Distribution Reinvestment Plan ("DRIP")	1,595,951	-	-	-	1,595,951
Trust Units issued under the Long Term Incentive Plan ("LTIP")	-	71,734	-	-	71,734
Trust Units surrendered for cancellation under LTIP	-	(40,318)	-	-	(40,318)
Trust Units released on settlement of LTIP receivable	118,546	(118,546)	-	-	-
Issuance of Class B Units	-	-	1,187,170	-	1,187,170
Exchange of Class B Units into Trust Units	1,187,170	-	(1,187,170)	-	-
DTUs issued	-	-	-	97,203	97,203
DTU distributions	-	-	-	33,914	33,914
Trust Units issued on conversion of convertible debentures	13,542	-	-	-	13,542
Balance December 31, 2015	176,401,201	1,553,634	1,641,323	823,166	180,419,324

## Liquidity and Capital Commitments

### Liquidity

Our cash commitments include payments related to mortgages and convertible debentures, contractual purchase obligations, obligations under operating leases as well as cash distributions to unitholders.

Our principal source of liquidity is cash flow from operations. At December 31, 2015, we had cash on hand in the amount of \$8.9 million, including cash from Chartwell's Interest in equity-accounted investments of \$5.9 million. In order to provide for our operating and capital requirements, we have put in place a Credit Facility and arranged mortgage debt financing. At times we may also raise funds through the capital markets.

Our Credit Facility has a maximum committed capacity of \$200.0 million and matures on June 1, 2018. Based on the level of our Indebtedness Ratio, the amounts outstanding on our Credit Facility bear interest ranging from the bank's prime rate ("Prime") plus 0.65% to 0.80%, or the applicable banker's acceptance rate ("BA") plus 1.65% to 1.80%. It is secured by charges on certain of our properties and includes minimum equity requirements and covenants requiring limitations on the amounts of distributions that can be paid to unitholders. At December 31, 2015, based on security provided, the maximum available borrowing capacity under the Credit Facility was \$199.1 million, of which \$4.0 million was utilized to support outstanding letters of credit and \$32.0 million was drawn, leaving available borrowing capacity at \$163.1 million. Based on our Indebtedness Ratio as of December 31, 2015, the interest rate applicable to the amounts outstanding on the Credit Facility in Q1 2016 will be equal to Prime plus 0.65% or BA plus 1.65%.



## Indebtedness Ratio:

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 60% of Adjusted Gross Book Value ("GBV"), excluding convertible debentures, or 65% of GBV including convertible debentures ("Indebtedness Ratio").

The following table presents the calculation of our Indebtedness Ratio at Chartwell's Interest:

(\$000s)	December 31, 2015	December 31, 2014
Mortgages payable (contractual amount)	1,610,183	1,436,826
Credit Facility	32,000	45,500
Total Indebtedness excluding convertible debentures	1,642,183	1,482,326
Convertible debentures (at face value)	134,851	135,000
Total Indebtedness	1,777,034	1,617,326
Total assets	2,680,917	2,125,775
Accumulated depreciation and amortization	581,340	520,798
Cumulative transaction costs on business combinations	32,723	19,238
Change in GBV on transition to IFRS	278,581	276,288
GBV of assets	3,573,561	2,942,099
Less: Assets financed by deferred purchase consideration on acquisition of properties	1,506	-
GBV of assets (net of deferred consideration)	3,572,055	2,942,099
Indebtedness Ratio before convertible debentures <sup>(1) (2)</sup>	46.0%	50.4%
Indebtedness Ratio including convertible debentures <sup>(1) (2)</sup>	49.7%	55.0%

(1) Excludes assets held for sale and related liabilities.

(2) Non-GAAP; refer to the "Non-GAAP Measures – Indebtedness Ratio" section of this MD&A for a discussion of Indebtedness Ratio.

In addition to the Indebtedness Ratio restrictions under our Declaration of Trust, we employ supplemental targets for managing our debt portfolio and monitor our Interest Coverage Ratio and Net Debt to Adjusted EBITDA Ratio.

## Interest Coverage Ratio:

We target to maintain our Interest Coverage Ratio above 1.65.

The following table summarizes our Interest Coverage Ratio at Chartwell's Interest:

(\$000s, except Interest Coverage Ratio)	Q4 2015	Q4 2014	2015	2014
Interest expense including capitalized interest	18,332	18,619	72,748	77,259
Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") <sup>(1)</sup>	58,245	49,280	206,511	188,932
Interest Coverage Ratio <sup>(2)</sup>	3.18	2.65	2.84	2.45
Target Interest Coverage Ratio	>1.65			

(1) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.

(2) Non-GAAP; refer to the "Non-GAAP Measures – Interest Coverage Ratio" section of this MD&A for a discussion of Interest Coverage Ratio.

The following table presents the calculation of Adjusted EBITDA at Chartwell's Interest:

(\$000s)	Q4 2015	Q4 2014	2015	2014
Net income/(loss) for the period	(1,361)	(12,715)	12,139	(26,030)
<i>Add (Subtract):</i>				
Current income tax expense/(benefit)	(1,456)	(600)	1,340	(2,222)
Impairment provisions net of reversals	3,000	-	3,755	(1,245)
Gain on remeasurement to fair value of existing interest	-	-	(10,452)	(435)
Deferred income tax	(8,216)	-	(8,216)	-
Transaction costs arising on business acquisitions and dispositions	4,468	61	13,834	2,886
Finance costs	18,542	18,774	73,465	77,908
Depreciation of PP&E	35,682	34,732	117,583	123,288
Amortization of intangible assets	155	179	678	1,511
(Gain)/loss on sale of assets	(266)	69	(4,974)	(7,095)
Changes in fair value of financial instruments and foreign exchange loss/(gain)	6,417	7,569	2,331	15,656
Principal portion of capital funding receivable from Health Authorities	1,280	1,211	5,028	4,710
Adjusted EBITDA <sup>(1)</sup>	58,245	49,280	206,511	188,932

(1) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.

### Net Debt to Adjusted EBITDA Ratio:

In our calculation of Net Debt to Adjusted EBITDA, we define Net Debt as indebtedness less cash on hand at the end of the reporting period and use trailing 12-month Adjusted EBITDA including the annualized effect of acquisitions and dispositions completed during such 12-month period.

The following table summarizes our Net Debt to Adjusted EBITDA Ratio at December 31, 2015 and 2014, at Chartwell's Interest:

(\$000s, except Net Debt to Adjusted EBITDA Ratio)	December 31, 2015	December 31, 2014 <sup>(1)</sup>
Trailing 12-month Adjusted EBITDA <sup>(2)</sup>	206,511	188,932
<i>Add (Subtract):</i>		
Adjustment for part-year acquisitions	23,780	2,297
Adjustment for part-year dispositions and assets held for sale	1,207	(1,678)
Trailing 12-month Adjusted EBITDA (net of part-year acquisitions and dispositions and assets held for sale)	231,498	189,551
Indebtedness <sup>(3)</sup>	1,777,034	1,617,326
Less: Cash and cash equivalents	8,854	8,824
Net debt	1,768,180	1,608,502
Net Debt to Adjusted EBITDA Ratio <sup>(4)</sup>	7.6	8.5

(1) December 31, 2014 amounts have been restated to adjust for discontinued operations.

(2) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted EBITDA" section of this MD&A for a discussion of Adjusted EBITDA.

(3) Excludes indebtedness related to assets held for sale.

(4) Non-GAAP; refer to the "Non-GAAP Measures – Net Debt to Adjusted EBITDA Ratio" section of this MD&A for a discussion of Net Debt to Adjusted EBITDA Ratio.

## Debt Strategy

We currently employ the following sources of debt financing: property-specific secured mortgages; unsecured convertible subordinated debentures; and the Credit Facility. Our debt management objectives are to:

- Access low-cost, long-term, fixed-rate debt and short-term, variable-rate construction financing;
- Manage interest rate risk by spreading debt maturities over time with the target of having no more than approximately 10% of our total debt maturing in any year; and
- Proactively manage our short-term maturities and where appropriate, refinance maturing mortgages early with long-term debt.

## Mortgage Debt

We monitor our mortgage portfolio at Chartwell's Interest.

The following table outlines the future principal repayments on outstanding mortgages and their respective weighted average interest rates at Chartwell's Interest as at December 31, 2015:

(\$000s)	Regular Principal Payments	Principal Due at Maturity	Total	% of Total Debt	Weighted Average Interest Rate of Maturing Debt
Year					
2016	49,320	121,440	170,760	11%	4.46%
2017	48,071	59,235	107,306	7%	4.44%
2018	47,472	78,096	125,568	8%	4.62%
2019	45,971	212,854	258,825	16%	2.74%
2020	46,170	166,562	212,732	13%	3.39%
2021	44,399	68,791	113,190	7%	4.76%
2022	40,810	62,200	103,010	6%	3.54%
2023	36,075	58,992	95,067	7%	4.25%
2024	26,597	127,797	154,394	10%	3.91%
2025	21,108	33,105	54,213	3%	3.00%
2026	19,527	1,528	21,055	1%	5.13%
2027	20,140	-	20,140	1%	-
2028	27,232	18,925	46,157	3%	4.20%
2029	18,191	-	18,191	1%	-
2030	17,639	3,996	21,635	1%	3.41%
Thereafter	65,689	22,251	87,940	5%	4.18%
Total	574,411	1,035,772	1,610,183	100%	
Mark-to-market adjustments arising on acquisition			18,795		
Less: Financing costs			(19,590)		
Total Mortgage Debt			1,609,388		

The following table provides selected financial statistics for our mortgage debt portfolio at Chartwell's Interest:

	At December 31, 2015			At December 31, 2014
	Fixed Rate	Variable Rate	Total	Total
Amount (\$millions)	1,387.1	223.1	1,610.2	1,436.8
Weighted average interest rate	4.30%	3.06%	4.13%	4.50%
Average term to maturity (years)	8.3	3.9	7.7	8.4

We generally have access to low-cost mortgage financing insured by Canada Mortgage and Housing Corporation ("CMHC"). Our properties are generally eligible for CMHC financing and as of December 31, 2015, approximately 58% of our total mortgage debt was CMHC insured. We intend to continue financing our properties through this program, including converting conventional mortgages to CMHC-insured debt upon renewal. On December 5, 2015, we entered into a large borrower agreement ("LBA") with CMHC.

We expect the LBA will allow continued access to CMHC-insured financing and will streamline the CMHC approval process of new mortgages. The LBA provides for, among other things, the cross-collateralization of mortgage loans for our largest CMHC-insured lenders, and contains certain financial and operating covenants.

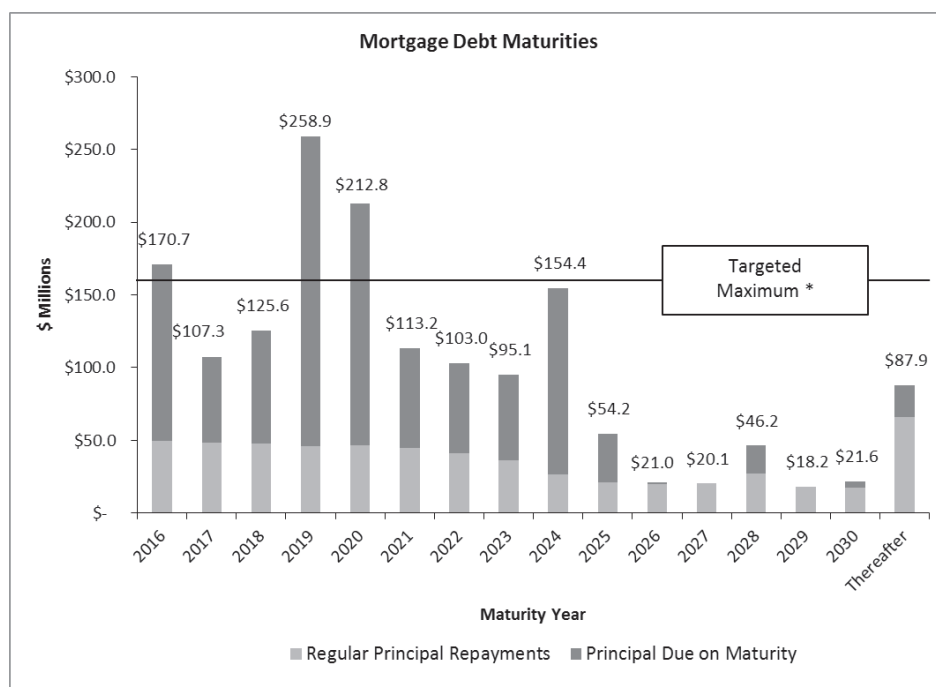
Our variable-rate mortgages primarily relate to communities that have not yet achieved stabilized occupancy levels, including our development projects and newly-acquired properties. Variable-rate mortgages are expected to be refinanced with fixed-rate, CMHC-insured debt upon stabilization of the properties.

The following table summarizes our variable-rate mortgages at Chartwell's Interest as at December 31, 2015:

(\$000s, except number of projects)	Number of Projects	December 31, 2015	Number of Projects	December 31, 2014
Mortgages on properties under construction	-	-	1	3,358
Mortgages on non-stabilized properties	9	162,835	9	101,948
Mortgages on stabilized properties	6	60,221	4	36,071
Total	15	223,056	14	141,377

Subsequent to December 31, 2015, we fixed interest rates on two of these mortgages totalling \$32.5 million through interest rate swaps of various durations.

The following chart provides the breakdown of our mortgage debt maturities at Chartwell's Interest:



\* 10% of total mortgage debt = \$161.0 million

Included in 2019 and 2020 maturities are \$176.3 million and \$113.0 million, respectively, of loans bearing interest at variable rates or at rates fixed through the use of interest rate swaps of various duration. These loans are expected to be refinanced with CMHC-insured, long-term debt upon the properties achieving stabilized occupancy at or prior to maturity of these loans.

## Convertible Debentures

At December 31, 2015, we have \$134.9 million of 5.7% convertible debentures that mature on March 31, 2018. Each debenture is convertible into freely tradeable Trust Units of Chartwell at the option of the holder at any time prior to the earlier of March 31, 2018 and the last business day immediately preceding the date specified by Chartwell for the redemption of the debentures, at a conversion price of \$11.00 per Trust Unit.

## Capital Expenditures

We classify our property capital expenditures in the following main categories:

- Routine – capital expenditures incurred to maintain existing revenue generating potential of our properties, such as routine replacement of building components, furniture, fixtures and equipment.
- Major projects / compliance – capital expenditures incurred with respect to large, often multi-phased renovation projects and projects undertaken to comply with the requirements of various regulatory or government authorities.
- Accretive / acquisitions – capital expenditures that improve the revenue generating potential of our properties including major upgrades to common areas and resident suites, building upgrades and equipment purchases to increase service offerings to our residents. Also includes projects that were identified during due diligence for newly acquired assets.
- Development – capital expenditures in respect of our development projects.

The following table summarizes additions to properties at Chartwell's Interest, during Q4 2015 and 2015:

(\$000s)	Q4 2015	2015
Routine	11,749	27,738
Major projects / compliance	11,713	14,357
Accretive / acquisitions	9,864	18,343
Development	3,758	10,234
Total <sup>(1)(2)(3)</sup>	37,084	70,672

(1) Excludes \$4.1 million in capital additions relating to corporate office leasehold improvements and information technology assets as well as other intangibles.

(2) Excludes \$0.2 million in capital additions, the majority of which has been or is expected to be, funded by insurers.

(3) Excludes \$11.4 million in capital additions relating to discontinued operations.

## Contractual Obligations and Guarantees

### Contractual Obligations

The following table summarizes the major contractual obligations at Chartwell's Interest as at December 31, 2015, excluding discontinued operations:

(\$000s)	Total	2016	2017	2018	2019	2020	Thereafter
Mortgages payable	1,610,183	170,760	107,306	125,568	258,825	212,732	734,992
Accounts payable and other liabilities	117,534	117,534	-	-	-	-	-
Distributions payable	8,243	8,243	-	-	-	-	-
Convertible debentures	134,851	-	-	134,851	-	-	-
Credit Facility	32,000	32,000	-	-	-	-	-
Purchase obligations	8,707	8,707	-	-	-	-	-
Other operating leases	7,633	1,217	1,170	1,170	1,159	1,129	1,788
Land leases	14,480	395	395	395	395	395	12,505
Total contractual obligations	1,933,631	338,856	108,871	261,984	260,379	214,256	749,285

Purchase obligations relate to an agreement to acquire vacant land for \$8.5 million and construction contracts with remaining commitments of \$0.2 million. The land purchase closed in January 2016.

Other operating leases relate to the agreements for office space in Mississauga, Montreal and Vancouver.

Land leases relate to three properties and expire between 2044 and 2061.

## Guarantees

We remain a guarantor of mortgages on eight properties sold in 2014 and 2015 with the aggregate outstanding balance as of December 31, 2015 of \$12.8 million. The purchasers of these properties have indemnified us with respect of these guarantees.

As of December 31, 2015, together with our partners, we have jointly and severally guaranteed loans on certain co-owned properties to an aggregate maximum amount of \$73.6 million. As at December 31, 2015, outstanding balances on these loans were \$67.3 million.

## Other Contracts

Pursuant to our agreements with Batimo, upon achievement of certain conditions, Batimo may require us to acquire an 85% interest in their development properties which we manage and, in some cases, provided mezzanine loans, at 99% of fair market value ("FMV") as defined in the agreements (the "Batimo Option"). The Batimo Option is for a five-year period commencing on the opening of the related facility. Upon expiry of the Batimo Option, we have a two-year option to acquire an 85% interest in the property at FMV. As of the date of this MD&A, there are five projects with 1,170 suites that are subject to this arrangement.

## **Cash Flow Analysis**

The following table summarizes the significant changes in our operating, financing and investing cash flows between 2015 and 2014 using our consolidated statements of cash flows:

Cash Provided by (Used in):	Increase / (Decrease) (\$millions)	Explanation
Operating activities	(7.6)	Cash flows from operating activities decreased primarily due to the sale of the U.S. Portfolio and higher cash outlays for transaction-related costs, partially offset by positive changes in working capital balances and lower interest payments.
Financing activities	61.5	Cash used in financing activities decreased primarily due to higher net proceeds from mortgage financing, partially offset by repayment of our Credit Facility.
Investing activities	(63.8)	Cash used in investing activities increased primarily due to higher cash outlays for acquisitions and higher mezzanine loan advances, partially offset by higher proceeds from disposal of PP&E net of related debt repayments and taxes.

## **Distributions**

The declaration and payment of future distributions is at the discretion of the board of trustees of Chartwell (the "Trustees"). The Trustees rely upon forward-looking cash flow information including forecasts and budgets, results of operations, requirements for capital expenditures and working capital, future financial prospects of the Trust, debt covenants and obligations, and any other factors considered relevant by them in setting the distribution rate. On February 26, 2015, the Trustees approved a 2.0% increase in our monthly cash distributions from \$0.0450 per unit (\$0.5400 on an annualized basis) to

\$0.045900 per unit (\$0.550800 on an annualized basis) effective for the March 31, 2015 distribution payable on April 15, 2015. On February 25, 2016, the Trustees approved a further 2.0% increase in our monthly cash distributions from \$0.045900 per unit (\$0.550800 on an annualized basis) to \$0.046818 per unit (\$0.561816 on an annualized basis) effective for the March 31, 2016 distribution payable on April 15, 2016.

Unitholders who are Canadian residents are eligible to participate in our Distribution Reinvestment Plan ("DRIP"), which allows unitholders to use their monthly cash distributions to steadily increase ownership without incurring any commission or other transaction costs. Participating investors registered in the DRIP receive additional bonus units in an amount equal to 3% of the distributions which they have elected to reinvest. In 2015, our average DRIP participation was 19.4% compared to 18.7% participation in 2014.

The following table summarizes distributions made in Q4 2015, 2015, 2014, and 2013:

(\$000s)	Q4 2015	2015	2014	2013
Distributions declared on Trust Units	24,345	96,553	94,103	93,069
Distributions on Class B Units	281	956	889	895
Distributions reinvested under DRIP	(4,782)	(18,574)	(17,408)	(19,058)
Distributions applied against LTIP receivable	(218)	(889)	(1,009)	(1,081)
Distributions paid or payable in cash	19,626	78,046	76,575	73,825

The following table summarizes distributions declared on Trust Units in Q4 2015, 2015, 2014 and 2013 in relation to net income/(loss) from continuing operations and cash flows from operating activities:

(\$000s)	Q4 2015	2015	2014	2013
Cash flows from operating activities	52,588	115,821	123,375	131,852
Net income/(loss) from continuing operations	(1,361)	12,139	(26,030)	(72,443)
Excess/(deficit) of cash flows from operating activities over distributions declared on Trust Units	28,243	19,268	29,272	38,783
Excess/(deficit) of net income/(loss) over distributions declared on Trust Units	(25,706)	(84,414)	(120,133)	(165,512)

We distributed cash to our unitholders while recording a net loss from continuing operations in Q4 2015, 2014 and 2013. We do not use net income/(loss) as determined in accordance with IFRS as the basis for establishing the level of distributions to unitholders, as net income/(loss) includes, among other items, non-cash depreciation and amortization and changes in fair values of certain liabilities. We do not consider non-cash depreciation and amortization and fluctuations in fair values of certain liabilities in establishing our distribution levels. We believe that, with the appropriate level of capital reinvestment in our properties, their income-generating potential does not generally diminish over time.

We believe our current distributions are sustainable.



## Summary of Select Financial Information

### ***Selected Annual Financial Information***

The following table summarizes selected annual financial information, at Chartwell's Interests, for each of the past three years ended December 31:

(\$000s, except per unit amounts)	2015	2014	2013
Property revenues	750,127	927,750	922,660
Total revenues	759,084	935,762	930,739
Direct operating expenses	530,014	657,122	651,232
Net income/(loss)	362,233	(8,279)	23,884
Total assets	2,680,917	2,734,327	2,863,222
Total liabilities	1,951,397	2,300,729	2,353,988
Distributions declared per unit	0.5508	0.5400	0.5400

Our annual results for the past three years have been primarily affected by the contribution of acquisitions and dispositions, particularly by the sale of the U.S. Portfolio in 2015 and the reinvestment of the net proceeds in debt reduction and in acquisitions of properties in Canada.

## Quarterly Financial Information

The following table summarizes our quarterly unaudited financial information:

(\$000s, except per unit amounts)	2015				2014 <sup>(1)</sup>			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	184,050	173,088	165,545	163,188	167,521	162,781	159,509	162,034
Direct operating expenses	(122,502)	(115,562)	(112,836)	(112,635)	(114,964)	(109,731)	(108,928)	(112,730)
G&A expenses	(7,581)	(7,003)	(7,519)	(8,668)	(6,950)	(6,442)	(8,255)	(9,935)
Income before the understated <sup>(2)</sup>	53,967	50,523	45,190	41,885	45,607	46,608	42,326	39,369
Finance costs	(18,068)	(17,386)	(18,510)	(18,118)	(18,425)	(18,570)	(20,505)	(18,884)
Other income/(expense)	(4,640)	(7,379)	13,649	1,039	755	5,289	2,064	2,239
Depreciation and amortization	(34,396)	(28,164)	(23,621)	(28,236)	(34,071)	(29,474)	(29,275)	(29,007)
Changes in fair value of financial instruments and foreign exchange gains/(losses)	(6,451)	(863)	12,840	(7,817)	(7,530)	(661)	(3,790)	(3,636)
Share of net income/(loss) from joint ventures	(1,445)	966	197	96	349	787	65	118
Current income tax (expense)/benefit	1,456	(2,796)	-	-	600	(198)	(397)	2,218
Deferred income tax (expense)/benefit	8,216	789	(789)	-	-	-	-	-
Net income/(loss) for the period – continuing operations	(1,361)	(4,310)	28,956	(11,151)	(12,715)	3,781	(9,512)	(7,583)
Net income/(loss) for the period	562	(4,768)	355,310	11,128	(16,280)	31,846	(6,975)	(16,870)
FFO – continuing operations	38,484	35,559	28,477	25,778	29,405	30,616	24,269	25,815
Diluted FFO – continuing operations	40,422	37,497	30,394	27,675	31,345	32,555	26,188	27,712
FFO per unit diluted – continuing operations	0.21	0.20	0.16	0.15	0.17	0.17	0.14	0.15
Total FFO <sup>(3)</sup>	38,484	35,559	37,679	34,596	36,173	37,364	35,818	33,688
Total Diluted FFO <sup>(3)</sup>	40,422	37,497	39,596	36,493	38,113	39,303	37,737	35,585
Total FFO per unit diluted <sup>(3)</sup>	0.21	0.20	0.21	0.19	0.20	0.21	0.20	0.19
AFFO – continuing operations	36,252	33,047	25,903	23,282	26,627	27,920	21,270	22,951
Diluted AFFO – continuing operations	38,190	34,985	27,820	25,179	28,567	29,860	23,189	24,848
AFFO per unit diluted – continuing operations	0.20	0.18	0.15	0.13	0.15	0.16	0.12	0.13
Total AFFO <sup>(3)</sup>	36,252	33,047	34,152	31,337	32,667	33,885	31,899	30,019
Total Diluted AFFO <sup>(3)</sup>	38,190	34,985	36,069	33,234	34,607	35,825	33,818	31,916
Total AFFO per unit diluted <sup>(3)</sup>	0.20	0.18	0.19	0.17	0.18	0.19	0.18	0.17

(1) 2014 amounts have been restated to adjust for discontinued operations.

(2) Refers to income before finance costs, other income/(expense), depreciation and amortization, changes in fair value of financial instruments and foreign exchange gains/(losses), share of net income/(loss) from joint ventures, and income tax.

(3) Non-GAAP; includes the reversal of provision for impairment associated with the mezzanine loan portfolio of \$1.2 million in Q1 2014.

Our results for the past eight quarters have been affected by acquisitions and dispositions; refer to the “Significant Events” section of this MD&A and in our 2014 MD&A for details.

## Discontinued Operations

In Q3 2014, we completed the sale of four non-core U.S. properties (827 suites) (the “Cypress Portfolio”). On June 30, 2015, we completed the sale of the remainder of the U.S. Portfolio. The results of the U.S. Portfolio are presented as discontinued operations in this MD&A.

The following table summarizes the composition of the U.S Operations at the time of the sale on June 30, 2015:

	Properties	Composition of Suites					Total
		IL	ISL	AL	MC	LTC	
100% owned	33	-	4,375	-	224	190	4,789
Properties under operating lease – 100% interest	2	-	194	-	39	-	233
Total	35	-	4,569	-	263	190	5,022

The following table presents the results of operations of the U.S. Operations:

(U.S.\$000s, except as noted otherwise)	Q4 2015	Q4 2014	Change	2015	2014	Change
Revenue	-	45,219	(45,219)	92,395	193,308	(100,913)
Operating expenses	-	30,363	(30,363)	65,366	132,368	(67,002)
NOI	-	14,856	(14,856)	27,029	60,940	(33,911)
Foreign exchange in CDN	-	2,022	(2,022)	6,262	6,342	(80)
Total NOI in CDN	-	16,878	(16,878)	33,291	67,282	(33,991)

The operating results for the U.S. operating segment in Canadian dollars were also affected by fluctuations in foreign exchange rates. The average exchange rates were as follows:

	Q4 2015	Q4 2014	Change	2015	2014	Change
Weighted average exchange rate for U.S.\$1.00 to CDN	1.34	1.14	0.20	1.28	1.10	0.18

## Other Items Related to Discontinued Operations

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Finance costs	-	(8,034)	8,034	(16,939)	(35,113)	18,174
Other income/(expense)	202	(948)	1,150	430,870	35,309	395,561
Depreciation of PP&E	-	(10,916)	10,916	(13,870)	(47,127)	33,257
Amortization of intangible assets	-	(234)	234	(255)	(909)	654
Changes in fair value of financial instruments and foreign exchange (loss)/gain and adjustment on mortgages	-	(1,942)	1,942	(26,827)	(768)	(26,059)
Current income tax (expense)/benefit	1,721	314	1,407	(56,176)	(923)	(55,253)
Deferred income tax expense	-	1,247	(1,247)	-	-	-

Included in 2015 other income is a \$432.2 million gain on sale of the U.S. Portfolio, net of transaction costs of \$13.3 million.

Current income tax expense of \$56.2 million in 2015 primarily relates to the U.S. taxes payable on the disposition of the shares of the U.S. subsidiary.

The following table provides the calculation of FFO from discontinued operations:

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Net income/(loss) for the period	1,923	(3,565)	5,488	350,094	17,751	332,343
<i>Add (Subtract):</i>						
Depreciation of PP&E <sup>(1)</sup>	-	10,916	(10,916)	13,870	47,127	(33,257)
Amortization of limited life intangible assets <sup>(1)</sup>	-	234	(234)	255	909	(654)
(Gain)/loss on sale of assets <sup>(1)</sup>	(1,183)	140	(1,323)	(446,504)	(35,264)	(411,240)
Transaction costs arising on business acquisitions and dispositions <sup>(1)</sup>	-	185	(185)	13,285	1,027	12,258
Tax on gains/losses on disposal of properties	(740)	(391)	(349)	56,989	622	56,367
Deferred income tax	-	(1,247)	1,247	-	-	-
Adjustment for property tax accounted for under IFRIC 21	-	(1,446)	1,446	3,198	-	3,198
Changes in fair value of financial instruments and foreign exchange gains/losses	-	1,942	(1,942)	26,827	768	26,059
FFO <sup>(1)(2)</sup>	-	6,768	(6,768)	18,014	32,940	(14,926)

(1) Non-GAAP; reported at Chartwell's Interest.

(2) Refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

The following table provides the calculation of AFFO from discontinued operations:

(\$000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
FFO <sup>(1)</sup>	-	6,768	(6,768)	18,014	32,940	(14,926)
<i>Add (Subtract):</i>						
Amortization of financing costs and debt mark-to-market adjustments <sup>(2)(3)</sup>	-	412	(412)	772	1,528	(756)
Financing cost reserve <sup>(4)</sup>	-	(112)	112	(206)	(491)	285
AFFO before capital maintenance reserve	-	7,068	(7,068)	18,580	33,977	(15,397)
Capital maintenance reserve - 2% of property revenue <sup>(5)</sup>	-	(1,028)	1,028	(2,282)	(4,269)	1,987
AFFO <sup>(6)</sup>	-	6,040	(6,040)	16,298	29,708	(13,410)

(1) Non-GAAP; refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

(2) Non-GAAP; reported at Chartwell's Interest.

(3) Excludes amortization of financing costs incurred in respect of renewal of our Credit Facility.

(4) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the financing cost reserve.

(5) Refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of the capital maintenance reserve. Refer to the "Capital Expenditures" section of this MD&A for details of actual capital expenditures.

(6) Non-GAAP; refer to the "Non-GAAP Measures – Adjusted Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.

## Non-GAAP Measures

We use a number of Non-GAAP Measures for monitoring and analyzing our financial results as outlined in this section. These measures do not have any standardized meaning prescribed by IFRS and therefore, are unlikely to be comparable to similar measures presented by other income trusts or other companies.

### *Funds from Operations*

FFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. FFO as presented may not be comparable to similar measures presented by other real estate investment trusts. However, we present FFO substantially consistent with the definition adopted by the Real Property Association of Canada ("REALpac") with the exception of the following:

- Transaction costs related to the disposition of properties are added back in our FFO calculation.
- Realized foreign exchange gains resulting from conversion of the net proceeds of the sale of the U.S. Portfolio are deducted in our FFO calculation.

According to REALpac guidance, FFO is defined as follows: Profit or loss per IFRS Statement of Comprehensive Income adjusted for:

- Unrealized changes in the fair value of investment properties.
- Depreciation of depreciable real estate assets including depreciation for components relating to capitalized leasing costs, capitalized tenant allowances treated as capital improvements and lease-related items ascribed in a business combination.
- Amortization of tenant allowances and landlord's work spent for the fit-out of tenant improvements and amortized as a reduction to revenue in accordance with SIC-15.
- Amortization of tenant/customer relationship intangibles or other intangibles arising from a business combination.
- Gains / losses from sales of investment properties and owner-occupied properties, including the gain or loss included within discontinued operations (if applicable).
- Tax on profits or losses on disposals of properties.
- Deferred taxes.
- Impairment losses or reversals recognized on land and depreciable real estate properties, excluding those relating to properties used exclusively for administrative purposes.
- Revaluation gains or losses recognized in profit or loss on owner-occupied properties, excluding those relating to properties used exclusively for administrative purposes.
- Transaction costs expensed as a result of the purchase of a property being accounted for as a business combination.
- Foreign exchange gains or losses on monetary items not forming part of a net investment in a foreign operation.
- Property taxes accrued and expensed prior to the associated period of lease term revenue, wherein certain jurisdictions require the owner of a property at the time of tax assessment to irrevocably be solely liable for property taxes regardless of subsequent changes in ownership.
- Gain or loss on the sale of an investment in a foreign operation.
- Changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting.
- Bargain purchase or goodwill impairment.
- Effects of redeemable units classified as financial liabilities.
- Results of discontinued operations.
- Adjustments for equity accounted entities.
- Non-controlling interests in respect of the above.

T. Incremental leasing costs.

In our opinion, the use of FFO, combined with the required primary IFRS presentations, is fundamentally beneficial to the users of the financial information, improving their understanding of our operating results. We generally consider FFO to be a meaningful measure for reviewing our operating and financial performance because, by excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), transaction costs arising on business acquisitions and dispositions, impairment of PP&E, distributions on Class B Units recorded as interest expense, convertible debenture issue costs, changes in fair value of financial instruments, unrealized foreign exchange gains/losses, and adjustments for equity-accounted entities, FFO can assist the user of the financial information in comparing the operating performance of our real estate portfolio between financial reporting periods.

FFO from continuing operations excludes the results of the U.S. Portfolio classified as discontinued operations.

To the extent that our convertible debentures are dilutive to FFO per unit, convertible debenture interest is added back to calculate a diluted FFO for the sole purpose of calculating the FFO per unit diluted.

The following table provides a reconciliation of net income/(loss) to FFO:

(\$000s, except per unit amounts)	Q4 2015	Q4 2014	Change	2015	2014	Change
Net income/(loss) from continuing operations	(1,361)	(12,715)	11,354	12,139	(26,030)	38,169
<i>Add (Subtract):</i>						
Depreciation of PP&E <sup>(1)</sup>	35,682	34,732	950	117,583	123,288	(5,705)
Amortization of limited life intangible assets <sup>(1)</sup>	155	179	(24)	678	1,511	(833)
Depreciation of leasehold improvements and amortization of software costs included in depreciation and amortization above <sup>(1)</sup>	(218)	(112)	(106)	(669)	(570)	(99)
Gain on sale of assets <sup>(1)</sup>	(266)	69	(335)	(4,974)	(7,095)	2,121
Gain on remeasurement to fair value of existing interest	-	-	-	(10,452)	(435)	(10,017)
Transaction costs arising on business acquisitions and dispositions <sup>(1)</sup>	4,468	61	4,407	13,834	2,886	10,948
Tax on gains or losses related to disposal of properties	(1,458)	(600)	(858)	1,338	-	1,338
Deferred income tax	(8,216)	-	(8,216)	(8,216)	-	(8,216)
Distributions on Class B Units recorded as interest expense	281	222	59	956	889	67
Changes in fair value of financial instruments and foreign exchange gain/loss <sup>(2)</sup>	6,417	7,569	(1,152)	2,331	15,656	(13,325)
Impairment provisions net of reversals	3,000	-	3,000	3,755	-	3,755
FFO - continuing operations <sup>(1)(3)</sup>	38,484	29,405	9,079	128,303	110,100	18,203
FFO - discontinued operations	-	6,768	(6,768)	18,014	32,940	(14,926)
Total FFO <sup>(1)(3)</sup>	38,484	36,173	2,311	146,317	143,040	3,277
FFO - continuing operations <sup>(1)(3)</sup>	38,484	29,405	9,079	128,303	110,100	18,203
Interest expense on 5.7% convertible debentures	1,938	1,940	(2)	7,690	7,695	(5)
Diluted FFO - continuing operations <sup>(4)</sup>	40,422	31,345	9,077	135,993	117,795	18,198
FFO - discontinued operations	-	6,768	(6,768)	18,014	32,940	(14,926)
Total diluted FFO <sup>(4)</sup>	40,422	38,113	2,309	154,007	150,735	3,272
FFO per unit – continuing operations <sup>(5)</sup>						
Basic	0.21	0.17	0.04	0.72	0.62	0.10
Diluted	0.21	0.17	0.04	0.71	0.62	0.09
Total FFO per unit <sup>(5)</sup>						
Basic	0.21	0.20	0.01	0.82	0.81	0.01
Diluted	0.21	0.20	0.01	0.81	0.80	0.01

(1) Non-GAAP; reported at Chartwell's Interest.

(2) 2015 results include realized foreign exchange gain of \$11.2 million related to the sale of the U.S. Portfolio.

(3) Refer to the "Non-GAAP Measures – Funds from Operations" section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

(4) Non-GAAP; diluted FFO is solely utilized for the purposes of calculating FFO per unit diluted.

(5) Non-GAAP; refer to the "Non-GAAP Measures – Per Unit Amounts" section of this MD&A for a discussion of the calculation of the per unit amounts; FFO per unit diluted includes dilutive impact of 5.7% convertible debentures.



## ***Adjusted Funds from Operations***

AFFO should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. AFFO as presented may not be comparable to similar measures presented by other issuers. We believe AFFO is useful in the assessment of our operating performance and that this measure is also useful for valuation purposes and is a relevant and meaningful measure of our ability to earn and distribute cash to unitholders. We calculate AFFO by adding or subtracting certain items measured at Chartwell's Interest to or from FFO as follows:

***Principal portion of capital funding receivable:*** This item represents a portion of the long-term cash flow stream provided by the Ontario Ministry of Health and Long Term Care ("MOHLTC") to communities which meet certain design criteria. We include this item in AFFO calculations.

***Income guarantees:*** This item represents amounts due from vendors of acquired communities under the applicable purchase and sale agreement. It is generally applicable to communities in lease-up.

***Amortization of financing costs and fair value adjustments on mortgages payable:*** Adjustments made in AFFO calculation to adjust for non-cash interest expense items and to account for interest expense based on the contractual terms of the underlying debt.

***Financing cost reserve:*** In order to account for financing costs routinely incurred on re-financing of existing debt, we included this reserve in the calculation of AFFO. We calculate this reserve based on our estimate of normalized costs of re-financing (60 basis points) applied to the debt balances outstanding at the end of the reporting period taking into account weighted average term to maturity of our mortgage portfolio.

***Capital maintenance reserve:*** Capital maintenance reserve is estimated at 2% of property revenue.

***Discontinued operations:*** This item represents the impact of the items above specifically related to discontinued operations.

AFFO from continuing operations excludes the results of the U.S. Portfolio classified as discontinued operations.

To the extent that our convertible debentures are dilutive to AFFO per unit, convertible debenture interest is added back to calculate a diluted AFFO for the sole purpose of calculating the AFFO per unit diluted.

The following table provides the calculation of AFFO:

(\$000s, except per unit amounts)	Q4 2015	Q4 2014	Change	2015	2014	Change
FFO - continuing operations <sup>(1)</sup>	38,484	29,405	9,079	128,303	110,100	18,203
<i>Add (Subtract):</i>						
Principal portion of capital subsidy receivable from Health Authorities	1,280	1,211	69	5,028	4,710	318
Amounts receivable under income guarantees	969	154	815	1,935	218	1,717
Amortization of financing costs and debt mark-to-market adjustments <sup>(2)(3)</sup>	(142)	(128)	(14)	(540)	(670)	130
Financing cost reserve <sup>(4)</sup>	(306)	(344)	38	(1,241)	(1,307)	66
AFFO before capital maintenance reserve	40,285	30,298	9,987	133,485	113,051	20,434
Capital maintenance reserve - 2% of property revenue - continuing operations <sup>(5)</sup>	(4,033)	(3,671)	(362)	(15,002)	(14,286)	(716)
AFFO - continuing operations <sup>(6)</sup>	36,252	26,627	9,625	118,483	98,765	19,718
AFFO - discontinued operations	-	6,040	(6,040)	16,298	29,708	(13,410)
Total AFFO <sup>(6)</sup>	36,252	32,667	3,585	134,781	128,473	6,308
AFFO - continuing operations <sup>(6)</sup>	36,252	26,627	9,625	118,483	98,765	19,718
Interest expense on 5.7% convertible debentures	1,938	1,940	(2)	7,690	7,695	(5)
Diluted AFFO - continuing operations <sup>(7)</sup>	38,190	28,567	9,623	126,173	106,460	19,713
AFFO - discontinued operations	-	6,040	(6,040)	16,298	29,708	(13,410)
Total diluted AFFO	38,190	34,607	3,583	142,471	136,168	6,303
AFFO per unit - continuing operations <sup>(8)</sup>						
Basic	0.20	0.15	0.05	0.66	0.56	0.10
Diluted	0.20	0.15	0.05	0.66	0.56	0.10
Total AFFO per unit <sup>(8)</sup>						
Basic	0.20	0.18	0.02	0.76	0.73	0.03
Diluted	0.20	0.18	0.02	0.75	0.72	0.03

(1) Non-GAAP; refer to the “Non-GAAP Measures – Funds from Operations” section of this MD&A for a discussion of the nature of various adjustments made in FFO calculations.

(2) Non-GAAP; reported at Chartwell’s Interest.

(3) Excludes amortization of financing costs incurred in respect of renewal of our Credit Facility.

(4) Refer to the “Non-GAAP Measures – Adjusted Funds from Operations” section of this MD&A for a discussion of the nature of the financing cost reserve.

(5) Refer to the “Non-GAAP Measures – Adjusted Funds from Operations” section of this MD&A for a discussion of the nature of the capital maintenance reserve. Refer to the “Capital Expenditures” section of this MD&A for details of actual capital expenditures.

(6) Non-GAAP; refer to the “Non-GAAP Measures – Adjusted Funds from Operations” section of this MD&A for a discussion of the nature of various adjustments made in the AFFO calculations.

(7) Non-GAAP; diluted AFFO is solely utilized for the purposes of calculating AFFO per unit diluted.

(8) Non-GAAP; refer to the “Non-GAAP Measures – Per Unit Amounts” section of this MD&A for a discussion of the calculation of the per unit amounts; AFFO per unit diluted includes the dilutive impact of 5.7% convertible debentures.

## Net Operating Income

NOI should not be construed as an alternative to other IFRS metrics. We define NOI as the difference between property revenue and property direct operating expenses, measured at Chartwell’s Interest. We believe that the use of NOI combined with primary IFRS measures is beneficial to the users of the financial information in understanding operating performance of our operating segments and platforms.

## Per Unit Amounts

In our calculations of FFO per unit and AFFO per unit, we include the Class B Units as the Class B Units are exchangeable into Trust Units at any time at the option of the unitholder. In addition, we include units

issued under DTU, LTIP and subscription receipts. In our calculation of FFO per unit diluted and AFFO per unit diluted, we consider the dilutive impact of the conversion of our convertible debentures.

### Weighted Average Number of Units

The following table provides details of the weighted average number of units outstanding:

(000s)	Q4 2015	Q4 2014	Change	2015	2014	Change
Weighted average number of units <sup>(1)</sup>	179,687	177,337	2,350	178,515	176,773	1,742
Dilutive impact of 5.7% convertible debentures	12,261	12,273	(12)	12,264	12,273	(9)
Weighted average number of units, diluted	191,948	189,610	2,338	190,779	189,046	1,733

(1) Includes Class B Units, units issued under LTIP and DTUs.

### **Same Property Performance**

We evaluate our financial performance by analyzing our same property portfolio. Generally, our same property portfolio excludes properties that have not been owned or leased continuously since the beginning of the previous fiscal year or that are expected to be sold in the current fiscal year. In addition, to improve comparability, we designate properties where we have added significant capacity or expect in the current year to open new suites to be excluded from the same property portfolio.

The following table summarizes the same property portfolio as at December 31, 2015:

	Properties	Suites/Beds
Canadian Retirement Operations	134	19,119
Canadian Long Term Care Operations	24	3,134
Total same property portfolio	158	22,253

### Same Property Revenue, Same Property Direct Operating Expenses, Same Property NOI

Key metrics used to evaluate same property performance are same property revenue, same property direct operating expenses and same property NOI. These metrics are measured at Chartwell's Interest.

Our same property metrics, as defined above, should not be construed as alternatives to other IFRS metrics. We define same property NOI as the difference between same property revenue and same property direct operating expenses. We believe that the use of these metrics combined with primary IFRS measures is beneficial to users of the financial information in understanding the operating performance of our operating segments and platforms.

Refer to the "Consolidated Results of Operations – Summary of Net Operating Income" section of this MD&A for a reconciliation of these items.

### **Indebtedness Ratio**

Our Declaration of Trust limits the amount of overall indebtedness that we can incur to 60% of GBV, excluding convertible debentures, or 65% of GBV including convertible debentures. This metric is commonly used by the investment community together with the Interest Coverage Ratio and Net Debt to Adjusted EBITDA to evaluate our leverage and the strength of our equity position. GBV, for the purpose of this ratio, excludes deferred tax assets. Under the Declaration of Trust, total indebtedness includes any obligation for borrowed money, any obligation incurred in connection with the acquisition of property, assets or business, other than deferred income tax liability, any capital lease obligation and any

guaranteed obligations of third parties to the extent included in our consolidated balance sheet. The Indebtedness Ratio is measured at Chartwell's Interest.

### ***Interest Coverage Ratio***

The interest coverage guideline provides an indication of an entity's ability to service or pay the interest charges relating to the underlying debt and have generally been used by debt rating agencies to test an entity's ability to service its debt. Generally, the higher the ratio, the lower the risk of default on debt. The Interest Coverage Ratio is measured at Chartwell's Interest.

### ***Adjusted EBITDA***

EBITDA should not be construed as an alternative to net earnings as determined by IFRS. EBITDA is a generally accepted proxy for operating cash flow and represents earnings before interest expense, taxes, depreciation and amortization. Adjusted EBITDA is useful in evaluating performance of continuing operations, excluding the costs of consuming capital assets and the cost of financing which does not affect the value of an entity's assets. Our calculation of Adjusted EBITDA excludes transaction costs arising on business acquisitions and dispositions, which are expensed as incurred, gains/losses on disposition of properties, changes in fair value of financial instruments, foreign exchange gains/losses, and non-recurring items such as asset impairment provisions or reversal of such provisions, or debenture issuance costs and includes the principal portion of the capital funding receivable from MOHLTC since this long-term cash flow stream forms part of the business value considered by lenders in financing LTC properties; it is measured at Chartwell's Interest. In Q1 2014, we changed our definition of Adjusted EBITDA to exclude property taxes expensed under IFRIC 21 prior to the associated period of lease term revenue. Under IFRIC 21, certain expenses classified as levies must be recognized when the obliging event occurs. This results in recognition occurring at a point in time rather than on a pro-rata basis. Our assessment determined that property tax in our U.S. operating segment meets the definition of a levy under IFRIC 21. We use Adjusted EBITDA in our calculations of Net Debt to Adjusted EBITDA and Interest Coverage Ratios and therefore, we believe it is appropriate to exclude the portion of this expense that is not pro-rata in the Adjusted EBITDA definition. This change is made for all periods presented in this MD&A.

### ***Net Debt to Adjusted EBITDA Ratio***

Net Debt to Adjusted EBITDA should not be construed as an alternative to other IFRS metrics. The Net Debt to Adjusted EBITDA Ratio provides an approximation of the number of years required for current cash flows to cover or repay all indebtedness and is commonly used by investors to evaluate the level of an entity's debt in relation to its operating cash flows. Net Debt and Adjusted EBITDA are not susceptible to short-term changes in market values and are not prone to subjective assessments surrounding asset valuations. Net Debt to Adjusted EBITDA is measured at Chartwell's Interest.

### ***G&A Expenses as a Percentage of Revenue***

G&A as a percentage of revenue should not be construed as an alternative to other IFRS metrics. We believe that G&A as a percentage of revenue is useful as a benchmark to evaluate the required resource level to support our operating business. This percentage is calculated as total G&A expenses divided by the sum of property revenue, management and other fee revenue and mezzanine loan and other interest income at Chartwell's Interest.

The following table presents a reconciliation of revenue used in the calculation of G&A expenses as a percentage of revenue to our Financial Statements:

(\$000s)	Q4 2015	Q4 2014	2015	2014
Revenue	184,050	167,521	685,871	651,845
Equity-accounted investments	19,974	18,048	73,213	70,419
Chartwell's Interest	204,024	185,569	759,084	722,264
Interest income	889	988	3,486	4,774
Equity-accounted investments	22	34	98	128
Chartwell's Interest	911	1,022	3,584	4,902
Total revenue at Chartwell's Interest	204,935	186,591	762,668	727,166

## ***Distributions Declared as a Percentage of Total AFFO***

Distributions declared as a percentage of total AFFO is calculated using distributions declared on our Trust Units, Class B Units and DTUs.

## ***Chartwell's Interest***

On January 1, 2013, we changed our accounting policy for certain joint arrangements as required by IFRS 11 – Joint Arrangements. As a result, we no longer proportionately consolidate certain joint arrangements and now account for these investments using the equity method of accounting. All references to “Chartwell's Interest” refer to a non-GAAP financial measure representing our proportionate share of the financial position and results of operations of our entire portfolio excluding discontinued operations, taking into account the difference in accounting for joint ventures using proportionate consolidation versus equity accounting. Refer to the “Joint Arrangements” section of this MD&A for a discussion of the usefulness of this measure and to the following tables for a reconciliation of Chartwell's results of operations and statement of financial position.

The following table provides a reconciliation of the Q4 2015 Statement of Comprehensive Income (Loss) from a Financial Statements basis to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	Q4 2015 Financial Statements basis <sup>(1)</sup>	Equity Accounted Investments <sup>(2)</sup>	Q4 2015 Chartwell's Interests <sup>(3)</sup>
<b>Revenue</b>			
Resident	173,413	28,273	201,686
Management and other fees	1,977	-	1,977
Lease revenue from joint ventures	8,299	(8,299)	-
Interest on loans receivable	361	-	361
	184,050	19,974	204,024
<b>Expenses</b>			
Direct operating	122,502	17,789	140,291
General, administrative and Trust ("G&A")	7,581	-	7,581
	130,083	17,798	147,872
Income before the undernoted	53,967	2,185	56,152
Finance costs	(18,068)	(474)	(18,542)
Other income/(expense)	(4,640)	(1,749)	(6,389)
Depreciation of property, plant and equipment ("PP&E")	(34,245)	(1,437)	(35,682)
Amortization of intangible assets	(151)	(4)	(155)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	(6,451)	34	(6,417)
Share of net loss from joint ventures	(1,445)	1,445	-
Loss before income taxes	(11,033)	-	(11,033)
Income tax (expense)/benefit:			
Current	1,456	-	1,456
Deferred	8,216	-	8,216
	9,672	-	9,672
Net loss from continuing operations	(1,361)	-	(1,361)
Net income from discontinued operations	1,923	-	1,923
<b>Total comprehensive income</b>	<b>562</b>	<b>-</b>	<b>562</b>

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the Q4 2014 Statement of Comprehensive Income (Loss) from a Financial Statements basis to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	Q4 2014 Financial Statements basis <sup>(1)</sup>	Equity Accounted Investments <sup>(2)</sup>	Q4 2014 Chartwell's Interests <sup>(3)</sup>
<b>Revenue</b>			
Resident	157,331	26,198	183,529
Management and other fees	1,848	-	1,848
Lease revenue from joint ventures	8,150	(8,150)	-
Interest on loans receivable	192	-	192
	167,521	18,048	185,569
<b>Expenses</b>			
Direct operating	114,964	16,511	131,475
G&A	6,950	-	6,950
	121,914	16,511	138,425
Income before the undernoted	45,607	1,537	47,144
Finance costs	(18,425)	(349)	(18,774)
Other income/(expense)	755	40	795
Depreciation of property, plant and equipment ("PP&E")	(33,897)	(835)	(34,732)
Amortization of intangible assets	(174)	(5)	(179)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	(7,530)	(39)	(7,569)
Share of net income from joint ventures	349	(349)	-
Loss before income taxes	(13,315)	-	(13,315)
Income tax (expense)/benefit:			
Current	600	-	600
Net loss from continuing operations	(12,715)	-	(12,715)
Net loss from discontinued operations	(3,565)	-	(3,565)
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	2,750	-	2,750
Total comprehensive loss	(13,530)	-	(13,530)

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.



The following table provides a reconciliation of the 2015 Statement of Comprehensive Income (Loss) as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	2015 per Financial Statements <sup>(1)</sup>	Equity Accounted Investments <sup>(2)</sup>	2015 Chartwell's Interests <sup>(3)</sup>
<b>Revenue</b>			
Resident	643,914	106,213	750,127
Management and other fees	7,815	-	7,815
Lease revenue from joint ventures	33,000	(33,000)	-
Interest on loans receivable	1,142	-	1,142
	685,871	73,213	759,084
<b>Expenses</b>			
Direct operating	463,535	66,479	530,014
G&A	30,771	-	30,771
	494,306	66,479	560,785
Income before the undernoted	191,565	6,734	198,299
Finance costs	(72,077)	(1,388)	(73,465)
Other income/(expense)	2,669	(1,648)	1,021
Depreciation of property, plant and equipment ("PP&E")	(113,756)	(3,827)	(117,583)
Amortization of intangible assets	(661)	(17)	(678)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	(2,291)	(40)	(2,331)
Share of net loss from joint ventures	(186)	186	-
Income before income taxes	5,263	-	5,263
Income tax (expense)/benefit:			
Current	(1,340)	-	(1,340)
Deferred	8,216	-	8,216
	6,876	-	6,876
Net income from continuing operations	12,139	-	12,139
Net income from discontinued operations	350,094	-	350,094
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	5,945	-	5,945
Foreign currency translation reclassified to net income/(loss) on disposition of discontinued operations	(10,599)	-	(10,599)
Total comprehensive income	357,579	-	357,579

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the 2014 Statement of Comprehensive Income (Loss) as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s, unaudited)	2014 per Financial Statements <sup>(1)</sup>	Equity Accounted Investments <sup>(2)</sup>	2014 Chartwell's Interests <sup>(3)</sup>
<b>Revenue</b>			
Resident	611,265	103,055	714,320
Management and other fees	7,483	-	7,483
Lease revenue from joint ventures	32,636	(32,636)	-
Interest on loans receivable	461	-	461
	651,845	70,419	722,264
<b>Expenses</b>			
Direct operating	446,353	64,615	510,968
G&A	31,582	-	31,582
	477,935	64,615	542,550
Income before the undernoted	173,910	5,804	179,714
Finance costs	(76,384)	(1,524)	(77,908)
Other income/(expense)	10,347	50	10,397
Depreciation of property, plant and equipment ("PP&E")	(120,332)	(2,956)	(123,288)
Amortization of intangible assets	(1,495)	(16)	(1,511)
Changes in fair value of financial instruments and foreign exchange gain/(loss)	(15,617)	(39)	(15,656)
Share of net income from joint ventures	1,319	(1,319)	-
Loss before income taxes	(28,252)	-	(28,252)
Income tax (expense)/benefit:			
Current	2,222	-	2,222
Net loss from continuing operations	(26,030)	-	(26,030)
Net income from discontinued operations	17,751	-	17,751
Other comprehensive income/(loss):			
Unrealized foreign currency income/(loss) on translation of foreign operations	7,027	-	7,027
Total comprehensive loss	(1,252)	-	(1,252)

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the revenues and expenses of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the December 31, 2015 Balance Sheet as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s)	December 31, 2015 per Financial Statements <sup>(1)</sup>	Equity Accounted Investments <sup>(2)</sup>	December 31, 2015 Chartwell's Interests <sup>(3)</sup>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	3,002	5,852	8,854
Trade and other receivables	7,948	471	8,419
Capital funding receivable	5,243	-	5,243
Other assets	16,938	3,251	20,189
Total current assets	33,131	9,574	42,705
Non-current assets:			
Other assets	3,733	-	3,733
Loans receivable	15,764	-	15,764
Capital funding receivable	56,198	-	56,198
Investment in joint ventures	33,993	(33,993)	-
Intangible assets	57,202	27	57,229
PP&E	2,399,368	105,920	2,505,288
Total non-current assets	2,566,258	71,954	2,638,212
Total assets	2,599,389	81,528	2,680,917
<b>Liabilities and Unitholders' Equity</b>			
Current liabilities:			
Credit Facility	32,000	-	32,000
Accounts payable and other liabilities	114,036	3,498	117,534
Distributions payable	8,243	-	8,243
Mortgages payable	159,699	12,802	172,501
Total current liabilities	313,978	16,300	330,278
Non-current liabilities:			
Mortgages payable	1,371,659	65,228	1,436,887
Convertible debentures	161,754	-	161,754
Class B Units of Chartwell Master Care LP ("Class B Units")	20,943	-	20,943
Deferred consideration on business combinations	1,535	-	1,535
Total non-current liabilities	1,555,891	65,228	1,621,119
Total liabilities	1,869,869	81,528	1,951,397
Unitholders' equity	729,520	-	729,520
Total liabilities and unitholders' equity	2,599,389	81,528	2,680,917

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the assets and liabilities of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments.

The following table provides a reconciliation of the December 31, 2014 Balance Sheet as presented in our Financial Statements to this MD&A's presentation at Chartwell's Interest:

(\$000s)	December 31, 2014 per Financial Statements <sup>(1)</sup>	Equity Accounted Investments <sup>(2)</sup>	December 31, 2014 Chartwell's Interests and Discontinued Operations	Discontinued Operations	December 31, 2014 Chartwell's Interests <sup>(3)</sup>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	10,927	3,705	14,632	(5,808)	8,824
Trade and other receivables	18,940	(88)	18,852	(9,106)	9,746
Capital funding receivable	4,963	-	4,963	-	4,963
Other assets	24,641	3,278	27,919	(9,600)	18,319
Assets held for sale	5,306	-	5,306	603,246	608,552
Total current assets	64,777	6,895	71,672	578,732	650,404
Non-current assets:					
Other assets	7,008	-	7,008	(4,232)	2,776
Loans receivable	9,901	-	9,901	-	9,901
Capital funding receivable	61,506	-	61,506	-	61,506
Investment in joint ventures	23,431	(23,431)	-	-	-
Intangible assets	49,025	45	49,070	(2,864)	46,206
PP&E	2,489,601	45,569	2,535,170	(571,636)	1,963,534
Total non-current assets	2,640,472	22,183	2,662,655	(578,732)	2,083,923
Total assets	2,705,249	29,078	2,734,327	-	2,734,327
<b>Liabilities and Unitholders' Equity</b>					
Current liabilities:					
Credit Facility	45,500	-	45,500	-	45,500
Accounts payable and other liabilities	124,221	538	124,759	(30,348)	94,411
Distributions payable	7,954	-	7,954	-	7,954
Mortgages payable	372,184	466	372,650	(162,312)	210,338
Liabilities related to assets held for sale	6,086	-	6,086	542,558	548,644
Total current liabilities	555,945	1,004	556,949	349,898	906,847
Non-current liabilities:					
Mortgages payable	1,544,892	28,074	1,572,966	(349,898)	1,223,068
Convertible debentures	151,200	-	151,200	-	151,200
Class B Units	19,614	-	19,614	-	19,614
Total non-current liabilities	1,715,706	28,074	1,743,780	(349,898)	1,393,882
Total liabilities	2,271,651	29,078	2,300,729	-	2,300,729
Unitholders' equity	433,598	-	433,598	-	433,598
Total liabilities and unitholders' equity	2,705,249	29,078	2,734,327	-	2,734,327

(1) Prepared in accordance with IFRS.

(2) Represents Chartwell's proportionate share of the assets and liabilities of our joint ventures that are accounted for using the equity method of accounting.

(3) Non-GAAP; represents Chartwell's proportionate share of interests in our entire portfolio of investments excluding discontinued operations.

## Critical Accounting Policies and Estimates

Under IFRS, it is necessary to make estimates when preparing the financial statements and then to re-evaluate the original estimates used on an ongoing basis. Management's estimates are based on past experience and other factors that it believes are reasonable under the circumstances. As this involves varying degrees of judgement and uncertainty, the amounts currently reported in the financial statements could, in the future, prove to be inaccurate.

### ***Valuation of PP&E***

PP&E makes up approximately 93.5% of our assets. On an annual basis, and when indicators of impairment exist, we evaluate whether the recoverable amount of a cash generating unit ("CGU") exceeds its carrying amount. Factors which could indicate that impairment exists include significant underperformance relative to historical or projected operating results, significant changes in the manner or use of the assets, significant negative industry or economic trends, or a change in the strategy for our overall business. In some cases, these events are clear, however, in many cases, a clearly identifiable event indicating possible impairment does not occur. Instead, a series of individually insignificant events may occur over a period of time leading to an indication that an asset may be impaired. As a result, events occurring in these situations may not be known until a date subsequent to their occurrence.

Our business, markets and business environment are continually monitored, and judgements and assessments are made to determine whether an event has occurred that indicates possible impairment. If such an indication exists, then the asset's recoverable amount is estimated and an impairment loss is recognized immediately in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a) fair value less costs to sell, and b) the value in use calculated on a discounted cash flow basis. Both the identification of events that may trigger impairment and the estimates of future cash flows and the fair value of the asset require considerable judgement.

The assessment of asset impairment requires management to make significant assumptions about future revenues including assumptions about rates and occupancies, labour and other supply rates, and utility costs over the life of the PP&E. Actual results can, and often do, differ from these estimates, and can have either a positive or negative impact on the estimate and whether an impairment situation exists. In addition, when impairment tests are performed, the estimated useful lives of the properties are reassessed, with any change accounted for prospectively.

### ***Guarantees***

We continually review our contingent liabilities relating to guarantees we have provided on behalf of third parties. Our guarantees remain in place for certain debts assumed by purchasers in connection with property dispositions, and will remain until such debts are extinguished or lenders agree to release our covenants. Recourse would be available to us under these guarantees in the event of a default by the borrowers, in which case we would have a claim against the underlying real estate investments and under the indemnities provided by such third parties. We would record a provision for a liability when the carrying values of the related real estate investments are not recovered either as a result of the inability of the underlying assets' performance to meet the contractual debt service terms of the underlying debt and/or the fair value of the collateral assets are insufficient to cover the obligations and encumbrances in a sale between unrelated parties in the normal course of business. Our estimates of future cash flow (which amongst others, involve assumptions of estimated occupancy, rental rates and residual value) and fair value could vary and result in a significantly different assessment of such contingent liability.

## ***Income taxes***

In accordance with IFRS, we use the asset and liability method of accounting for deferred income taxes and provide for deferred income taxes for all significant temporary differences between the carrying amounts of associated liabilities for financial reporting purposes and the amounts used for taxation purposes.

Preparation of the financial statements requires an estimate of income taxes in the jurisdictions in which we operate. The process involves an estimate of our actual current tax exposure and an assessment of temporary differences resulting from differing treatment of items, such as depreciation and amortization, for tax and accounting purposes along with the expected reversal pattern of these temporary differences. These differences result in deferred tax assets and liabilities which are included in our balance sheet, calculated based on the estimated tax rate in effect at the time these differences reverse.

Judgement is required to assess tax interpretations, regulations and legislation, which are continually changing to ensure liabilities are complete and to ensure assets are realizable. The impact of different interpretations and applications could potentially be material.

An assessment must also be made to determine the likelihood that the Trust's deferred tax assets will be recovered from future taxable income. To the extent that recovery is considered less rather than more likely, deferred tax assets are not recognized. Judgement is required in determining the provision for income taxes, and deferred income tax assets and liabilities. To the extent the recognition of deferred tax assets is revised, current period earnings would be affected.

## ***Fair value***

Fair value is the price that would be received when selling an asset, or paid when transferring a liability in an orderly transaction (that is, other than in a forced or liquidation sale) between market participants. Quoted market prices in active markets are the best evidence of fair value and are used as the basis for fair value measurement, when available. When quoted market prices are not available, estimates of fair value are based on the best information available, including prices for similar items and the results of other valuation techniques. Valuation techniques used would be consistent with the objective of measuring fair value.

The techniques used to estimate future cash flows will vary from one situation to another depending on the circumstances surrounding the asset or liability in question. We assess fair value based on estimated discounted cash flow projections and available market information. Cash flow estimates incorporate assumptions that marketplace participants would use in their estimates (including the historical operating results and anticipated trends, local markets and economic conditions).

Our financial statements are affected by fair value measures. The most significant areas affected are as follows:

- Upon acquisition of properties we estimate the fair value of acquired tangible assets (land, building and furniture, fixtures and equipment) and identifiable intangible assets and liabilities (above and below-market leases representing the value of the differential between contractual and market rents, in-place leases, customer relationships, licenses and goodwill) and the value of the differential between stated and market interest rates on long term liabilities assumed at acquisition.
- As discussed in the "Valuation of PP&E" section, an impairment loss is recognized when the carrying amount of an asset is not recoverable. The impairment loss is determined as the excess of carrying value over its recoverable amount.
- Intangible assets with indefinite lives are also required to be assessed at a minimum annually, comparing the recoverable amount to carrying value to determine if an impairment loss is required to be recognized.

- In assessing our potential exposure relating to third party guarantees we evaluate the fair value of the borrower's interests in the underlying real estate investments and the value of other collateral assets and indemnities compared to the liability for which we have provided a guarantee.
- All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods may be at fair value depending on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.
- We disclose in our financial statements the fair value of our mortgages based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks, or market quotes where applicable.
- Class B Units of Master LP and convertible debentures are recorded at fair value based on listed prices of the debentures and of Trust Units.
- Our liabilities with respect to RTU, DTU and LTIP are recorded at fair value based on listed prices of Trust Units and in the case of LTIP, based on assumptions related to future volatility, risk-free interest rates and distribution yields.

## ***Changes in Accounting Estimates and Changes in Accounting Policies***

Our significant accounting policies are described in Note 2 of our Financial Statements. Notes 2 (m) and (n) outline 2015 accounting policy change and future accounting policy changes.

## **Controls and Procedures**

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. We continue to make significant investments in improvements to our information systems and financial processes to further strengthen our internal controls. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that its objectives are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; and (ii) the impact of isolated errors. Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

## ***Disclosure Controls and Procedures***

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.



As of December 31, 2015, an evaluation was carried out, under the supervision of and with the participation of management, including the President and Chief Executive Officer and Chief Financial Officer, of the effectiveness of Chartwell's disclosure controls and procedures as defined under National Instrument 52-109. In making this assessment, the President and Chief Executive Officer and the Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on that evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that the design and operation of Chartwell's disclosure controls and procedures were effective December 31, 2015.

## ***Internal Controls over Financial Reporting***

We are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision of the design and operating effectiveness of our internal controls over financial reporting as at December 31, 2015, and based on that assessment determined that our internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the 2013 COSO framework as published by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no material changes in our internal controls over financial reporting that occurred during the year ended December 31, 2015 that have significantly affected or are reasonably likely to significantly affect our internal control over financial reporting.

## **Forward-Looking Information and Risks and Uncertainties**

### ***Forward-Looking Information***

This MD&A contains forward-looking information that reflects the current expectations, estimates and projections of management about the future results, performance, achievements, prospects or opportunities for Chartwell and the seniors housing industry. The words “plans”, “expects”, “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “intends”, “anticipates”, “does not anticipate”, “projects”, “believes” or variations of such words and phrases or statements to the effect that certain actions, events or results “may”, “will”, “could”, “would”, “might”, “occur”, “be achieved” or “continue” and similar expressions identify forward-looking statements. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements.

Examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

- our assumptions concerning economic and regulatory conditions or state of the housing market and pace of new supply growth in seniors housing;
- our expectations related to future operating performance of our properties;
- our expectations regarding achievement of certain occupancy levels at our LTC and retirement communities;
- information related to the stabilization of seniors housing communities in lease-up, which is subject to the risk and uncertainty that local factors affecting occupancy levels or resident fees may result in certain communities not achieving stabilization at the times expected and is based on the assumptions that the local markets in which such communities are located remain stable and our operations in such communities are consistent with historical performance;
- information related to the expected completion date of communities under construction, which is

subject to the risk and uncertainty that, due to weather conditions, availability of labour and other factors, construction may be delayed, and is subject to the assumption that there is not a significant change to the typical construction timelines for our communities;

- our ability to realize expected unlevered yields on our development projects, which are based on our estimates of stabilized occupancy, rental rates and NOI and expected total development costs;
- our expectations regarding cash distributions and cash flow from operating activities, which are subject to the risk and uncertainty that our operating performance does not meet our expectations due to occupancy levels dropping, labour and operating costs increasing, or due to other general business risks;
- our ability to renew maturing debt and to obtain new financings at favourable rates, in due course;
- our ability to access low-cost mortgage financing insured by CMHC;
- our ability to realize benefits on technology investments; and
- certain assumptions relating to the debentures, including, credit risk in respect of the debentures, prior ranking indebtedness and absence of covenant protection, structural subordination of debentures, conversion of debentures following certain transactions, value of conversion privilege of the debentures, debentures redemption prior to maturity, inability of Chartwell to purchase debentures on a change of control and dilution;

While we anticipate that subsequent events and developments may cause our views to change, we do not intend to update forward-looking information, except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimated expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of the factors that could affect us. See risk factors highlighted in materials filed with the securities regulatory authorities in Canada from time to time, including but not limited to our most recent AIF.

## ***Risks and Uncertainties ♦***

- (a) **Business Risks:** We are subject to general business risks and to risks inherent in the seniors housing industry and in the ownership of real property. These risks include fluctuations in occupancy levels, the inability to achieve economically viable residency fees (including anticipated increases in such fees), rent control regulations, increases in labour costs and other operating costs, possible future changes in labour relations, competition from or the oversupply of other similar properties, changes in neighbourhood or location conditions and general economic conditions, health-related risks, disease outbreaks and control risks, the imposition of increased taxes or new taxes, capital expenditures requirements, changes in interest rates and changes in the availability and cost of money for long-term financing which may render refinancing of mortgages difficult or unattractive. Moreover, there is no assurance that the occupancy levels achieved to date and expected in the future will continue or be achieved. Any one of, or a combination of, these factors may adversely affect the cash available to Chartwell.
- (b) **Real Property Ownership and Lack of Diversity:** Real property equity investments are relatively illiquid. This illiquidity will tend to limit our ability to respond to changing economic or investment conditions. By specializing in a particular type of real estate, we are exposed to adverse effects on that segment of the real estate market.

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♦ For a complete description of the Risks and Uncertainties, please refer to our most recent AIF.

- (c) **Geographic Concentration:** Our business and operations are conducted within Canada primarily in Ontario and Quebec. A geographic concentration of our owned and leased suites, at our percentage share of ownership or leasehold interest, is described under the “Business Overview” section of this MD&A. The market value of these properties and the income generated from them could be negatively affected by changes in local, regional or national economic conditions or legislative/regulatory changes in the respective jurisdictions.
- (d) **Maintenance of Assets:** We are committed to keep our communities in a good state of repair. We fundamentally believe that by investing back into our communities we increase resident and staff satisfaction which ultimately results in better profitability of the business. We estimate that based on the average age, market position and state of repairs of our existing portfolio, the annual capital maintenance requirements are approximately 2% of annual gross property revenues. In addition to recurring maintenance capital projects, we invest in revenue enhancement and internal growth programs. The amount of these investments varies from time to time based on the volume of specific projects in progress. We take into account the recurring maintenance capital requirements of our communities in our determination of future cash flows available for distributions to Unitholders. A significant increase in recurring maintenance capital requirements of our communities could adversely impact cash available to us. The details of our actual capital asset spending for 2015 can be found in the “Capital Expenditures” section of this MD&A.
- (e) **Competition:** Numerous other owners, managers and developers of seniors housing communities compete with us in seeking residents. The existence of competing owners, managers and developers and competition for our residents could have an adverse effect on the Trust’s ability to find residents for its seniors housing communities and on the rents which may be charged, and could adversely affect our revenues and, consequently, our ability to meet debt obligations. An increased supply of suites in the regions in which we own seniors housing may have an impact on the demand for retirement community suites.
- (f) **Government Regulation:** Healthcare in Canada is subject to extensive regulation and regulatory changes. As a result, there can be no assurance that future regulatory changes in healthcare, particularly those changes affecting the seniors housing industry, will not adversely affect us. In Ontario, LTC Residence licences are issued for a fixed term which shall not exceed 30 years, after which the operators of a LTC Residence may or may not be issued a new licence. Therefore, such licences do not represent any guarantee of continued operation beyond the term of the licence. Under the Ontario Long Term Care Homes Act, the licence term for Class B and C long term care residences in Ontario has been set to expire in 2025 unless these homes are redeveloped to the new design standards. Chartwell has nine LTC Class B and C residences with 876 beds. The province has introduced a revised redevelopment program with some additional funding, however, the funding is not sufficient to allow most Class B and C long term care homes to redevelop and very few redevelopment projects are proceeding at this time. Chartwell, along with the Ontario Long Term Care Association, continues to discuss improvements to the program with the government. There is no assurance that required funding levels from the government will be obtained. The provincial regulation of LTC Residences includes the control of long-term care fees and the subsidization of LTC residents. There can be no assurance that the current level of such fees and subsidies will be continued or that such fees will increase commensurate with expenses.
- (g) **Personnel Costs:** We compete with other healthcare providers with respect to attracting and retaining qualified personnel. We are also dependent upon the available labour pool of employees. A shortage of trained or other personnel may require the Trust to enhance its wage and benefits packages in order to compete. No assurance can be given that labour costs will not increase, or that if they do increase, they can be matched by corresponding increases in rental or management revenue.

- (h) **Labour Relations:** We employ or supervise over 13,500 persons, of whom approximately 70% are represented by labour unions. Labour relations with the unions are governed by collective bargaining agreements with many different unions. There can be no assurance that we will not at any time, whether in connection with the renegotiation process or otherwise, experience strikes, labour stoppages or any other type of conflict with unions or employees which could have a material adverse effect on our business, operating results and financial condition. Most seniors housing communities in the Province of Ontario are governed by the Hospital Labour Disputes Arbitration Act which prohibits strikes and lockouts in the seniors housing sector and therefore collective bargaining disputes are more likely to be resolved through compulsory third-party arbitration.

In jurisdictions where strikes and lockouts may be permitted, certain essential services regulations apply which ensure the continuation of resident care and most services. Non-unionized seniors housing communities may become unionized in the event they are targeted for certification by a trade union. There can be no assurance that the seniors housing communities we own that are not currently unionized will not, in the future, be subject to unionization efforts or that any such efforts will not result in the unionization of such seniors housing communities' employees.

- (i) **Growth:** The ability to grow may require the issuance of additional units and the ability to do so may not always be a viable capital-raising option. Furthermore, timing differences may occur between the issuance of additional units and the time the proceeds may be used to invest in new properties. Depending on the duration of this timing difference, this may be dilutive. Additionally, growth may be limited by the properties being owned in a different structure (i.e., a real estate investment trust compared with a corporation) and possibly a different economic environment. We expect that we will have opportunities to acquire properties which will be accretive and enable us to increase cash flow through improved management, but there can be no assurance that will be the case.
- (j) **Acquisition, Development:** Our external growth prospects depend in part on identifying suitable acquisition and development opportunities, pursuing such opportunities, consummating acquisitions, and effectively operating the seniors housing communities acquired by the Trust. If we are unable to manage our growth, integrate our acquisitions effectively and achieve expected returns on acquisitions and development projects, our business, operating results and financial condition could be adversely affected.
- (k) **Dispositions:** From time to time we may dispose of certain assets which are considered non-strategic or non-core to our portfolio. Failure to dispose of such assets at a reasonable price may negatively impact our ability to deliver on our corporate strategies.
- (l) **Debt Financing:** We have and will continue to have substantial outstanding consolidated indebtedness comprised primarily of mortgages on our retirement and LTC communities.

We may not be able to renegotiate the terms of renewal of our debt at favourable rates. Chartwell currently has access to the government-backed mortgage insurance program through the National Housing Act, which is administered by CMHC. Chartwell entered into an LBA with CMHC which contains certain financial covenants related to minimum adjusted equity requirements, maximum indebtedness, debt service coverage and minimum capital and maintenance investments in the properties securing CMHC-insured loans. There can be no guarantee that the provisions of the mortgage insurance program will not be changed in the future. To the extent that any financing requiring CMHC consent or approval is not obtained, or such consent or approval is only available on unfavourable terms, we may be required to source a conventional mortgage which may be less favourable to us than a CMHC-insured mortgage. In addition, the terms of our indebtedness generally contain customary provisions that, upon an event of default, result in the acceleration of repayment of amounts owed and that restrict the distributions that may be made by the Trust. Therefore, upon an event of default under such indebtedness, our ability to make distributions will be adversely affected.

A portion of our cash flow is devoted to servicing our debt, and there can be no assurance that we will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If we were unable to meet interest or principal payments, we could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. We are also subject to the risk that any of our existing indebtedness may not be able to be refinanced upon maturity or that the terms of such refinancing may not be as favourable as the terms of our existing indebtedness.

- (m) **Taxation:** We currently qualify as a mutual fund trust for Canadian income tax purposes.

With the enactment of the SIFT Rules and the issuance of equity capital in excess of the normal growth guidelines established by the Department of Finance, we were subject to SIFT tax effective January 1, 2007.

Under the SIFT Rules, distributions paid by a SIFT as returns of capital are not subject to the tax. Such distributions are not currently taxable to unitholders but serve to reduce the adjusted cost base of a unitholder's units. Due to the sale of the U.S. Portfolio in 2015, a portion of our distribution was classified as non-eligible dividend which is taxable as dividend income for unitholders, and as capital dividend which is non-taxable to unitholders. In 2015, 49.6% of our distributions were classified as non-eligible dividend, 37.2% as capital dividend, 11.8% as other income and 1.4% as return of capital. In 2015, we incurred \$56.2 million of income tax related to the sale of the U.S. Portfolio and \$1.3 million of income tax in one of our subsidiaries related to the capital gain on settlement of the foreign exchange swap arrangements. There were no SIFT taxes paid in 2015. We expect to have sufficient deductions and losses carried forward to eliminate any SIFT taxes in 2016.

There can be no assurance that income tax laws (or the judicial interpretation thereof), the administrative and/or assessing practices of the Canada Revenue Agency (the "CRA") and/or the treatment of mutual fund trusts will not be changed in a manner which adversely affects unitholders.

Although we are of the view that all our claimed expenses will be reasonable and deductible, and that our tax filing positions taken are reasonable, there can be no assurance that the CRA will agree. If the CRA successfully challenges us in any of these respects, our taxable income will change.

- (n) **Liability and Insurance:** The businesses, which are carried on, directly or indirectly, by us, entail an inherent risk of liability. Management expects that from time to time we may be subject to lawsuits as a result of the nature of such businesses. The Trust maintains business and property insurance policies in amounts and with such coverage and deductibles as deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against us not covered by, or in excess of, our insurance could have a material adverse effect on our business, operating results and financial condition. Claims against us, regardless of their merit or eventual outcome, also may have a material adverse effect on our ability to attract residents or expand their businesses, and will require management to devote time to matters unrelated to the operation of the business.
- (o) **Environmental Liabilities:** Under various environmental laws and regulations, we, as either owner or manager, could become liable for the costs of removal or remediation of certain hazardous, toxic or regulated substances released on or in our properties or disposed of at other locations sometimes regardless of whether or not we knew of or were responsible for their presence. The failure to remove, remediate or otherwise address such substances, if any, may adversely affect an owner's ability to sell such properties or to borrow using such properties as



collateral and could potentially result in claims against the owner by private plaintiffs. Notwithstanding the above, our management is not aware of any material non-compliance, liability or other claim in connection with any of our owned properties and properties in respect of which mezzanine or vendor take back financing has been provided, nor is management aware of any environmental condition with respect to any of the properties that it believes would involve material expenditure by the Trust. It is our operating policy to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring or financing any property. Where Phase I environmental site assessments identify sufficient environmental concerns or recommend further assessments, Phase II or Phase III environmental site assessments are conducted. They are intrusive investigations that involve soil, groundwater or other sampling to confirm the absence or presence and extent of an environmental concern.

Environmental laws and regulation may change and we may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on our business, financial condition or results of operation and distributions.

- (p) **Economic and Financial Conditions:** Adverse changes to the economic and financial conditions in Canada, the U.S. and globally could impact our ability to execute upon our operating, investing and financing strategies which, in turn, could have a material adverse impact on our business, sales, profitability and financial position.
- (q) **Joint-Venture Interests:** We have entered into joint-venture arrangements in respect of certain of our seniors housing operations. These joint-venture arrangements have the benefit of sharing the risks associated with ownership and management of such seniors housing properties including those risks described above. However, we may be exposed to adverse developments, including a possible change in control, in the business and affairs of our joint-venture partners which could have a significant impact on, or termination of, our interests in our joint ventures and could affect the value of the joint ventures to us and/or cause us to incur additional costs if we were to solely undertake the operations of the joint venture. In addition, there are risks which arise from the joint-venture arrangements themselves, including: the risk that the other joint-venture partner may exercise buy-sell, put or other sale or purchase rights which could obligate us to sell our interest or buy the other joint-venture partner's interest at a price which may not be favourable to us or at a time which may not be advantageous to us, the effect of which could be materially adverse to our financial position or resources.
- (r) **Loans Receivable:** The mezzanine and vendor take back financing that has been provided by us is secured by subordinated charges of the borrowers' interests in related projects and ranks behind other financing. If our borrowers face financial difficulty and are not able to meet their commitments to their lenders, including us, we could suffer a loss of either interest or principal or both on the loans we have advanced, since other lenders will rank ahead of us in any recovery. Additionally, we may not, at the applicable time, have the financial capacity to acquire all facilities that we are entitled or required to acquire from borrowers. There is a risk, if property values deteriorate or the financial capacity of the borrowers deteriorates, that we could suffer losses on such loans.
- (s) **Distributions:** Currently, our distributions are determined in relation to AFFO. While we intend for such distributions to be at least equal to 70% of our AFFO for a specified year, items such as principal repayments, capital expenditures, variances in operating results and redemption of units, if any, or the failure of CSH Trust or Master LP to make distributions, may affect AFFO and, therefore, distributions. We may be required to decrease our distributions in order to accommodate such items. Under the terms of our Credit Facility, distributions to unitholders are limited to 100% of our AFFO.

- (t) **Management Contracts:** We earn management fees from non-owned residences that we manage for others. We will not earn this revenue if the management agreements with the residences' owners are terminated or not renewed upon their expiry. Such contracts are generally terminable upon 90 days' notice, with the exception of management agreements on the Welltower properties and management agreements on properties with mezzanine loans advanced by us.
- (u) **Cyber Security:** Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including for Chartwell and the seniors housing industry. Cyber-attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use, or disrupting business operations. Such an attack could compromise our confidential information as well as that of our residents, employees, and third parties with whom we interact and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage. As a result, Chartwell continually monitors for malicious threats and adapts accordingly in an effort to ensure we maintain high privacy and security standards. Chartwell invests in cyber defense technologies to support our business model and to protect our systems, residents and employees by employing industry best practices. Our investments continue to manage the risks we face today and position Chartwell for the evolving threat landscape.



## Management's Responsibility for Financial Statements

To the Unitholders of Chartwell Retirement Residences

The accompanying consolidated financial statements of Chartwell Retirement Residences and the information included in this Annual Report have been prepared by management, which is responsible for their consistency, integrity and objectivity. Management is also responsible for ensuring that the consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards. To fulfill these responsibilities, management maintains appropriate systems of internal control, policies and procedures to ensure its reporting practices and accounting and administrative procedures are of high quality.

KPMG LLP, the independent auditor, is responsible for auditing the consolidated financial statements in accordance with generally accepted auditing standards in Canada, to enable the expression of their opinion on the consolidated financial statements to the unitholders. Their report, as auditors, is set forth herein.

The Board of Trustees is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls and engaging the independent auditors. The Board of Trustees carries out this responsibility through its Audit Committee, which meets regularly with management and the independent auditors. The Audit Committee is composed of three members who are independent of management. The consolidated financial statements have been reviewed and approved by the Board of Trustees and its Audit Committee. The independent auditors have direct and full access to the Audit Committee and Board of Trustees.



W. Brent Binions  
*President and Chief Executive Officer*



Vlad Volodarski  
*Chief Financial Officer and Chief Investment Officer*

# Independent Auditors' Report

To the Unitholders of Chartwell Retirement Residences

We have audited the accompanying consolidated financial statements of Chartwell Retirement Residences, which comprise the consolidated balance sheets as at December 31, 2015 and 2014, the consolidated statements of comprehensive income (loss), unitholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

## *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Chartwell Retirement Residences as at December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants, Licensed Public Accountants

February 25, 2016  
Toronto, Canada

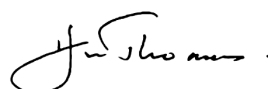
# Consolidated Balance Sheets

(In thousands of Canadian dollars)

December 31, 2015 and 2014

	Note	2015	2014
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 3,002	\$ 10,927
Trade and other receivables		7,948	18,940
Capital funding receivable	6	5,243	4,963
Other assets	7	16,938	24,641
Assets held for sale		—	5,306
Total current assets		33,131	64,777
Non-current assets:			
Other assets	7	3,733	7,008
Loans receivable	8	15,764	9,901
Capital funding receivable	6	56,198	61,506
Investment in joint ventures	9(b)	33,993	23,431
Intangible assets	5	57,202	49,025
Property, plant and equipment ("PP&E")	4	2,399,368	2,489,601
Total non-current assets		2,566,258	2,640,472
Total assets		\$ 2,599,389	\$ 2,705,249
<b>Liabilities and Unitholders' Equity</b>			
Current liabilities:			
Secured revolving operating credit facility ("Credit Facility")	10(b)	\$ 32,000	\$ 45,500
Accounts payable and other liabilities	12	114,036	124,221
Distributions payable		8,243	7,954
Mortgages payable	10(a)	159,699	372,184
Liabilities related to assets held for sale		—	6,086
Total current liabilities		313,978	555,945
Non-current liabilities:			
Mortgages payable	10(a)	1,371,659	1,544,892
Deferred consideration on business combinations		1,535	—
Convertible debentures	11	161,754	151,200
Class B Units of Chartwell Master Care LP ("Class B Units")	14	20,943	19,614
Total non-current liabilities		1,555,891	1,715,706
Total liabilities		1,869,869	2,271,651
Unitholders' equity	15	729,520	433,598
Commitments and contingencies	24		
Subsequent events	24(b), 26		
Total liabilities and unitholders' equity		\$ 2,599,389	\$ 2,705,249

Approved by the Trustees:



Huw Thomas, Trustee



Sidney Robinson, Trustee

# Consolidated Statements of Comprehensive Income (Loss)

(In thousands of Canadian dollars)

Years ended December 31, 2015 and 2014

	Note	2015	2014
			(Restated - note 13)
Revenue:			
Resident		\$ 643,914	\$ 611,265
Management and other fees		7,815	7,483
Lease revenue from joint ventures	9(b)	33,000	32,636
Interest on loans receivable		1,142	461
		685,871	651,845
Expenses:			
Direct operating		463,535	446,353
General, administrative and trust		30,771	31,582
		494,306	477,935
Income before the undernoted <sup>(1)</sup>		191,565	173,910
Finance costs	21	(72,077)	(76,384)
Other income, net	20	2,669	10,347
Depreciation of PP&E	4	(113,756)	(120,332)
Amortization of intangible assets	5	(661)	(1,495)
Changes in fair values of financial instruments and foreign exchange losses	22	(2,291)	(15,617)
Share of net income (loss) from joint ventures	9(b)	(186)	1,319
Income (loss) before income taxes		5,263	(28,252)
Income tax (expense) benefit:	23		
Current		(1,340)	2,222
Deferred		8,216	—
		6,876	2,222
Income (loss) from continuing operations		12,139	(26,030)
Net income from discontinued operations, net of income taxes	13	350,094	17,751
Net income (loss)		362,233	(8,279)
Other comprehensive income (loss) items:			
Unrealized foreign currency income on translation of foreign operations considered discontinued operations		5,945	7,027
Reclassification of foreign currency translation differences on disposition of US segment		(10,599)	—
Total comprehensive income (loss)		\$ 357,579	\$ (1,252)

<sup>(1)</sup> Refers to income before finance costs, other income, depreciation of PP&E, amortization of intangible assets, changes in fair values of financial instruments and foreign exchange gains (losses), share of net income (loss) from joint ventures, income tax (expense) benefit and discontinued operations.

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Unitholders' Equity

(In thousands of Canadian dollars, except per unit amounts)

Years ended December 31, 2015 and 2014

2015	Trust Units issued in dollars, net	Trust Units issued under LTIP	LTIP receivable	Accumulated income (losses)	Foreign currency translation reserve	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2014	\$ 1,743,786	\$ 17,873	\$ (13,950)	\$ (521,537)	\$ 4,654	\$ (803,897)	\$ 6,669	\$ 433,598
Net income for the year	—	—	—	362,233	—	—	—	362,233
Other comprehensive loss	—	—	—	—	(4,654)	—	—	(4,654)
Distributions to unitholders	—	—	—	—	—	(96,553)	—	(96,553)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	18,574	—	—	—	—	—	—	18,574
Trust Units issued on conversion of convertible debentures	149	—	—	—	—	—	—	149
Trust Units issued on exchange of Class B Units	14,590	—	—	—	—	—	—	14,590
Trust Units issued under the Long Term Incentive Plan ("LTIP"), net of cancellations and Trust Units released on settlement of LTIP receivable	1,397	(984)	538	—	—	—	(123)	828
Interest on LTIP receivable	—	—	(134)	—	—	—	—	(134)
Distributions applied against LTIP receivable	—	—	889	—	—	—	—	889
Unitholders' equity, December 31, 2015	\$ 1,778,496	\$ 16,889	\$ (12,657)	\$ (159,304)	\$ —	\$ (900,450)	\$ 6,546	\$ 729,520

During the year ended December 31, 2015, distributions were declared and paid at \$0.045 per unit per month for the months of January and February, and \$0.0459 from March to December. In the first two months of 2016, distributions were declared at \$0.0459 per unit per month totalling \$16,354.

2014	Trust Units issued in dollars, net	Trust Units issued under LTIP	LTIP receivable	Accumulated losses	Foreign currency translation reserve	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2013	\$ 1,724,564	\$ 21,294	\$ (17,143)	\$ (513,258)	\$ (2,373)	\$ (709,794)	\$ 5,944	\$ 509,234
Loss for the year	—	—	—	(8,279)	—	—	—	(8,279)
Other comprehensive income	—	—	—	—	7,027	—	—	7,027
Distributions to unitholders	—	—	—	—	—	(94,103)	—	(94,103)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	17,408	—	—	—	—	—	—	17,408
Trust Units issued on vesting of deferred trust units ("Deferred Trust Units")	431	—	—	—	—	—	—	431
Trust Units issued on exchange of Class B Units	178	—	—	—	—	—	—	178
Trust Units issued under the Long Term Incentive Plan ("LTIP"), net of cancellations and Trust Units released on settlement of LTIP receivable	1,205	(3,421)	2,349	—	—	—	725	858
Interest on LTIP receivable	—	—	(165)	—	—	—	—	(165)
Distributions applied against LTIP receivable	—	—	1,009	—	—	—	—	1,009
Unitholders' equity, December 31, 2014	\$ 1,743,786	\$ 17,873	\$ (13,950)	\$ (521,537)	\$ 4,654	\$ (803,897)	\$ 6,669	\$ 433,598

During the year ended December 31, 2014, distributions were declared and paid at \$0.045 per unit per month.

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31, 2015 and 2014

	Note	2015	2014
Cash provided by (used in):			
Operating activities:			
Net income (loss)		\$ 362,233	\$ (8,279)
Items not affecting cash:			
Depreciation and amortization		128,542	169,863
Finance costs		89,016	111,496
Other income		(433,539)	(48,438)
Transaction costs arising from business acquisitions and dispositions		(25,562)	(3,913)
Interest on loans receivable		(1,142)	(461)
Non-cash compensation expense		1,503	1,540
Changes in fair values of financial instruments and foreign exchange losses		29,118	16,385
Current income taxes		57,516	—
Deferred income taxes		(8,216)	—
Share of net (income) loss from joint ventures		186	(1,230)
Other		650	727
Change in trade and other receivables		11,759	66
Change in other assets		1,380	1,362
Change in accounts payable and other liabilities		(10,245)	(12,975)
		203,199	226,143
Interest and other income received		3,487	8,158
Interest paid		(90,865)	(110,926)
Net cash provided by operating activities		115,821	123,375
Financing activities:			
Proceeds from mortgage financing		282,792	206,788
Mortgage repayments		(184,440)	(200,694)
Changes to Credit Facility		(13,500)	18,500
Scheduled mortgage principal repayments		(56,079)	(57,175)
Net additions to finance costs		(3,738)	(5,049)
Distributions paid		(76,935)	(75,781)
Net cash used in financing activities		(51,900)	(113,411)
Investing activities:			
Acquisition of assets under business combinations		(412,198)	(44,315)
Additions to PP&E and intangible assets		(84,395)	(85,834)
Proceeds from disposal of PPE, net of related debt repayment		479,809	111,279
Proceeds from capital funding receivable		5,028	4,710
Loans receivable advances, net of collections		(5,818)	(2,656)
Change in restricted cash		10,206	2,192
Distributions received from joint ventures	9(b)	60,251	6,118
Contributions to joint ventures	9(b)	(77,591)	—
Taxes paid on disposal of discontinued operations		(47,602)	—
Net cash used in investing activities		(72,310)	(8,506)
Increase (decrease) in cash		(8,389)	1,458
Foreign exchange gain on U.S. dollar-denominated cash		464	868
Cash and cash equivalents, beginning of year		10,927	8,601
Cash and cash equivalents, end of year		\$ 3,002	\$ 10,927

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, except per unit amounts)

Years ended December 31, 2015 and 2014

Chartwell Retirement Residences ("Chartwell") is an unincorporated open-ended trust governed by the laws of the Province of Ontario and created as of July 7, 2003 and subsisting under the Declaration of Trust. Chartwell's head office is located at 100 Milverton Drive, Suite 700, Mississauga, Ontario, L5R 4H1. Chartwell began operations on November 14, 2003. Chartwell's main business is ownership, operations and management of retirement and long term care communities in Canada.

Chartwell owns 100% of the outstanding Trust Units of CSH Trust, an unincorporated, open-ended trust established under the laws of the Province of Ontario, Canada, which in turn owns 56.9% of the outstanding Class A Units of Chartwell Master Care LP ("Master LP"), a limited partnership created under the laws of the Province of Manitoba, Canada. Class B Units of Master LP are held by non-controlling investors. Chartwell also has direct ownership of 43.1% of Class A Units of Master LP.

The Canadian assets of Chartwell are held by the wholly owned Master LP, which carries out the business of Chartwell. Its activities are financed through equity contributed by Chartwell, CSH Trust, Class B unitholders and debt, including mortgages.

The United States assets of Chartwell that were owned indirectly by Master LP, through its wholly owned United States subsidiary corporation, CSH Master Care USA Inc. were disposed of on June 30, 2015, and the results of operations are classified as discontinued operations in these consolidated financial statements (note 13).

Chartwell's Declaration of Trust, as amended, provides that distributions will be within the discretion of the Board of Trustees.

## **1. Basis of preparation:**

### (a) Statement of compliance:

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

On February 25, 2016, the Board of Trustees authorized the consolidated financial statements for issue.

### (b) Functional currency:

These consolidated financial statements are presented in Canadian dollars, Chartwell's functional currency, unless otherwise indicated.

### (c) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items:

- (i) derivative financial instruments are measured at fair value;
- (ii) financial instruments classified as fair value through profit and loss ("FVTPL") are measured at fair value; and



(iii) liabilities for cash-settled, unit-based payment arrangements are measured at fair value.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses during the year. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the future financial year are included in the following notes:

(i) Note 2(e) - Impairment of property plant and equipment;

(ii) Note 5 - Impairment of indefinite life intangible assets; and

(iii) Note 23 - Income taxes; availability of future taxable profit for the recognition of deferred income tax assets.

In the process of applying the accounting policies, Chartwell makes various judgments, apart from those involving estimations, that can significantly affect the amounts it recognized in the consolidated financial statements. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

(i) Note 2(d)(i) - Intangible assets - licenses: assessment of indefinite useful life;

## **2. Significant accounting policies:**

(a) Basis of consolidation:

(i) Transactions eliminated on consolidation:

The consolidated financial statements include the accounts of Chartwell and its subsidiaries, as well as the proportionate share of the accounts of its joint operations. All intercompany transactions have been eliminated on consolidation.

(ii) Joint arrangements:

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

These consolidated financial statements include Chartwell's proportionate share of each of the assets, liabilities, revenue and income and expenses of joint operations on a line-by-line basis. Joint ventures are included in Chartwell's consolidated financial statements as investments using the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the net assets. Chartwell's share

of joint venture profit or loss is included in the consolidated statements of comprehensive income (loss).

(iii) Business combinations:

Under the acquisition method identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date. Goodwill represents the cost of acquired net assets in excess of their fair value. If the fair value of the net identifiable assets acquired exceeds the fair value of consideration transferred, a bargain purchase gain is recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities (finder's fees, legal fees, due diligence fees, and other professional and consulting fees), incurred in connection with the acquisition are expensed as incurred.

If a business combination is achieved in stages, the fair value on the acquisition date of Chartwell's previously held equity interest in the acquiree is remeasured to fair value through profit or loss.

(b) Foreign currency:

(i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the respective functional currencies at the exchange rate at the reporting dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations:

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates in effect as at the consolidated balance sheet dates.

Revenue and expenses of foreign operations are translated to Canadian dollars at exchange rates in effect on the dates on which such items are reported in income during the year.

Exchange gains and losses arising from translation of the financial statements of Chartwell's foreign operations are deferred and included in other comprehensive income.

(c) PP&E:

Chartwell considers its properties to be owner-occupied properties under International Accounting Standard ("IAS") 16, Property, Plant and Equipment ("IAS 16").

PP&E includes land, buildings, furniture, fixtures and equipment, which are measured at cost less accumulated depreciation and accumulated impairment losses.

Properties under development and land held for development are carried at cost and are not subject to depreciation. Cost includes initial acquisition costs, other direct costs, realty taxes and interest related to their financing during the development period. The development period ends when the asset is available for use and construction is complete. Upon completion, properties under development are transferred to the appropriate asset class.

Significant parts of the buildings have different useful lives and are accounted for as separate components of the property. The cost of replacing a major component of a building is recognized in the carrying amount of the building if it is probable that the future economic benefits embodied within the component will flow to Chartwell, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of ongoing repairs and maintenance of the properties are recognized in profit and loss as incurred.

Depreciation is recorded in profit or loss on the straight-line basis over the estimated useful lives of the assets. The following are the estimated maximum useful lives of existing PP&E:

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Building components:	
Structure	40 years
Mechanical, electrical and elevators	30 years
Roof, windows and doors	20 years
Interior upgrades	5 years
Resident contracts and above- and below-market leases	3 years
Furniture, fixtures and equipment	5 years

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Estimated useful lives were determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset and current and forecasted demand. The rates and methods used are reviewed annually at year end to ensure they continue to be appropriate, and are also reviewed in conjunction with impairment testing.

Gains/losses on disposition of PP&E are recognized in profit or loss when Chartwell has transferred to the purchaser the significant risk and rewards of ownership of the PP&E and the purchaser has made a substantial commitment demonstrating its intent to honour its obligation.

The value associated with in-place resident contracts, which represents the avoided cost of originating the acquired resident contracts plus the value of lost net resident revenue over the estimated lease-up period of the property, is amortized over the expected term of the resident occupancy. Resident contracts are recorded as a component of buildings.

(d) Intangible assets:

Intangible assets include licenses, goodwill arising on business combinations, management contracts and other intangible assets, which are measured at cost less accumulated amortization and accumulated impairment losses, except in the case of goodwill and intangible assets with an indefinite life, which are measured at cost less accumulated impairment losses and are not amortized.

(i) Licenses:

Licenses for the operation of long term care properties are considered to have indefinite lives. Given the current demographic of the Canadian markets, as well as the fact that the demand for licensed beds is expected to increase beyond its current supply, management has determined that the licenses have an indefinite life.

(ii) Other intangible assets:

Other intangible assets consist of software costs and management contracts. Software costs, which include externally purchased software licenses, are amortized over one to three years on a straight-line basis.

Management contracts represent the acquired value of contractual agreements to provide management and advisory services for the operations of seniors residences and long term care properties owned by third parties. Management contracts are amortized on a straight-line basis over the term of the contract or if no term is specified, over its estimated life not to exceed five years.

(iii) Goodwill:

Goodwill represents the excess amount of consideration given over the fair value of the underlying net assets acquired in a business combination and is measured at cost less any accumulated impairment losses.. An impairment loss is not reversed in subsequent years.

(e) Impairment:

(i) Financial assets:

Financial assets carried at amortized cost are assessed at each reporting date to determine whether there is objective evidence indicating the assets might be impaired. Objective evidence can include default or delinquency by a debtor, restructuring of an amount due to Chartwell on terms that Chartwell would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

Chartwell considers evidence of impairment for receivables at both a specific asset and collective level. All receivables are assessed for specific impairment. All receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance against the associated account receivable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets, excluding deferred tax assets:

The carrying amounts of Chartwell's PP&E are assessed at each reporting date to determine if any events have occurred that would indicate the PP&E may be impaired. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss is recognized immediately in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or cash generating unit ("CGU") is the higher of (a) fair value less costs to sell and (b) value in use.

Intangible assets that have indefinite useful lives are tested for impairment annually, or more frequently, if events or circumstances indicate that the assets might be impaired.

Goodwill is tested for impairment at least annually or whenever indicators of impairment of the cash-generating unit to which the goodwill relates have occurred.

Intangible assets with finite useful lives, such as licences, are tested for impairment if events or changes in circumstances, assessed at each reporting date, indicate the carrying amount may not be recoverable.

Chartwell's corporate assets do not generate separate cash flows. If there is an indication that a corporate asset, intangible asset that has an indefinite useful life, or intangible asset

with a finite useful life may be impaired, then the recoverable amount is determined for the CGU to which the asset belongs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed (excluding for goodwill) if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Capital funding:

Capital funding are grants received from the Government of Ontario for the construction costs of long term care properties. Capital funding grants for development of long term care properties that are receivable from the Government of Ontario are recorded at fair value as capital funding receivable, with an offset to the cost of the related PP&E upon project completion. These grants are received over time and the accretion of the receivables are recognized in profit or loss as other income over the life of the grant.

(g) Non-current assets held for sale and discontinued operations:

Non-current assets, or disposal groups comprising assets and liabilities, are categorized as held-for-sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to dispose of the assets of the disposal group; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. Immediately before classification as held-for-sale, the assets, or components of the disposal group are remeasured in accordance with Chartwell's accounting policies, and are subsequently measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss until the completion of sale.

A discontinued operation is a component of Chartwell's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as discontinued operations occurs upon disposal or earlier, if the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income (loss) is restated as if the operations had been discontinued from the start of the comparative period.

(h) Financial instruments:

(i) Non-derivative financial assets:

Trade and other receivables, loans receivable and cash and restricted cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized on the date that they are originated at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Receivables related to income guarantees are classified as FVTPL and any gains and losses arising on remeasurement are recognized in profit or loss.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Chartwell is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheets when Chartwell has a legal right to offset the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets are presented as current assets on the consolidated balance sheets, except for those with maturities greater than 12 months after the consolidated balance sheet dates, which are classified as non-current assets.

(ii) Other financial liabilities:

Non-derivative financial liabilities primarily consist of accounts payable and other liabilities, distributions payable, mortgages payable, and revolving Credit Facility. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

A financial liability is derecognized when Chartwell's contractual obligations are discharged, cancelled or expired.

(iii) Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred and are subsequently remeasured to their fair value at the end of each reporting year. Any resulting gain or loss is recognized in profit or loss immediately.

Chartwell enters into interest rate swap arrangements from time to time in order to reduce the impact of fluctuating interest rates on long-term debt. These swap agreements require periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. In such cases, payments received under the interest rate swap arrangements are classified as interest expense. These swap arrangements are not designated as hedging instruments under IFRS.

(iv) Financial liabilities measured at fair value:

Financial liabilities elected to be measured at fair value are designated as FVTPL.

A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement ("IAS 39"), permits the entire combined contract, asset or liability, to be designated as FVTPL.

The convertible debentures, Class B Units and deferred consideration are designated as FVTPL. Any gains or losses arising on remeasurement are recognized in profit or loss.

Interest paid on convertible debentures and distributions paid to Class B unitholders are recognized as interest expense under finance costs in profit or loss.

(v) Fair value hierarchy:

Fair value measurements are categorized into one of the three hierarchy levels. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities: Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets; Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

(i) Employee benefits:

(i) Short term benefits:

Short term employee benefit obligations, including vacation and bonus payments, are measured on an undiscounted basis and are expensed as the related service is provided. Liabilities are recognized for the amounts expected to be paid within 12 months as Chartwell has an obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Short term employee benefits are recorded in accounts payable and other liabilities.

Employee health benefits:

Chartwell self-insures the cost of certain employee health plans. These plans are administered by an independent third party. Accruals for self-insured liabilities include estimates of costs of both reported claims and claims incurred but not reported and are based on estimates of loss based on assumptions made by management, including consideration of projections provided by the independent third-party administrator of the plan.

(ii) Unit-based payment plans:

Chartwell maintains LTIPs, Deferred Trust Unit Plans, and Restricted Unit Plans for its employees, directors and Trustees. These plans are considered cash-settled and the fair value of the amount payable is recognized as an expense with a corresponding increase in liabilities, over the employees' service period. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized in profit or loss.

(j) Income taxes:

Income tax expense (recovery) comprises current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in unitholders' equity or in other comprehensive income (loss).

Current tax is the expected taxes payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable or receivable in respect of previous years.

Chartwell is a mutual fund trust and a specified investment flow-through trust ("SIFT") pursuant to the Income Tax Act (Canada). Under the SIFT rules, certain distributions from a SIFT are not deductible in computing taxable income, and the SIFT is subject to tax on such distributions



at a rate that is substantially equivalent to the general income tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital are not subject to the SIFT tax.

Chartwell uses the asset and liability method of accounting for income taxes. Under this method, deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Revenue recognition:

Chartwell derives most of its revenue from rental income, care services to residents and management services.

(i) Retirement community resident revenue:

Revenue in respect of accommodation and care services provided to residents of retirement communities is recognized when services, both rental and care are provided. In certain jurisdictions, residents of retirement communities are eligible for government subsidies and the rates of these subsidies are regulated. In Canada, in some jurisdictions, rent control regulations affect the rates that can be charged for rental accommodation.

(ii) Long term care community resident revenue:

Revenue in respect of accommodation fees and ancillary services provided to residents of Canadian long term care communities is recognized when the rental or ancillary services are provided.

In Canada, the provinces or regional health authorities (collectively, the "funding agency") regulate the amounts charged to residents of long term care communities, a substantial portion of which are funded by provincial or regional programs. Such resident revenue earned is exclusively on actual census and is recognized as services are rendered. Certain revenue is earned only when Chartwell has achieved actual census and has met additional criteria, which may include achieving certain levels of expenditure or levels of labour hours. Revenue is recognized when these criteria are achieved.

In certain cases, the funding agency provides additional funding in excess of the amounts due for actual census if certain minimum occupancy levels are achieved over the funding agency's annual cycle. Revenue for funding in excess of amounts due for actual census is recognized when Chartwell has achieved the required occupancy criteria, on a

proportionate basis, to earn such funding and where management expects to continue to achieve the occupancy criteria through to the completion of the funding agency's annual cycle.

(iii) Fee revenue:

Chartwell provides property management services for both third party and owned real estate properties. Property management services revenue relates to providing certain operations management and asset management services to third parties and is recognized in the month in which services are performed in accordance with the terms of the management contract.

(l) Lease payments:

Chartwell is obligated to make payments under land and equipment leases. Such leases are classified as operating leases and not recognized in the consolidated balance sheets as substantially all of the risks and rewards of ownership are not transferred to Chartwell. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(m) IFRS amendments adopted on January 1, 2015:

Annual Improvements to IFRS (2010 - 2012) and (2011-2013) cycles:

On December 12, 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. Amendments were made to clarify various standards including IFRS 2, Share-based Payment, with respect to the definition of "vesting conditions", classification and measurement of contingent consideration under IFRS 3, Business Combinations, IFRS 8, Operating segments for disclosures around segment aggregation, IFRS 13, Fair Value Measurement, for the measurement of short-term receivables and payables, and the definition of "related party" under IAS 24, Related Party Disclosures. The adoption of these amendments did not have a material impact on the consolidated financial statements.

(n) IFRS standards and amendments issued but not yet effective:

(i) IFRS 9, Financial Instruments ("IFRS 9 (2014)"):

On July 24, 2014, the IASB issued the complete IFRS 9 (2014). The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets, changes to financial liabilities, amendments to the impairment model for 'expected credit loss', and a new general hedge accounting standard which aligns hedge accounting more closely with risk management. Chartwell intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

- (ii) Business combination accounting for interests in a joint operation (Amendments to IFRS 11, Joint Arrangements ("IFRS 11")):

On May 6, 2014, the IASB amended IFRS 11 related to the accounting for acquisitions of interests in joint operations. The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The amendments require business combination accounting to be applied to acquisitions of interest in joint operations that constitute a business. Chartwell is required to adopt the amendments to IFRS 11 in its consolidated financial statements for the annual period beginning on January 1, 2016. Chartwell does not expect the amendment to have a material impact on the consolidated financial statements.

- (iii) Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16, Property, Plant and Equipment ("IAS 16") and IAS 38, Intangible Assets ("IAS 38")):

On May 12, 2014, the IASB issued amendments to IAS 16 and IAS 38. Under the amendments, revenue-based methods of depreciation can no longer be used for property, plant and equipment, and a rebuttable presumption that revenue-based methods are not appropriate has been introduced for intangible assets. Chartwell is required to adopt the amendments to IAS 16 and IAS 38 in its consolidated financial statements for the annual period beginning on January 1, 2016. Chartwell does not expect the amendments to have a material impact on the consolidated financial statements.

- (iv) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

On May 28, 2014, the IASB issued IFRS 15. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC 31, Revenue - Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. Chartwell intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

- (v) Annual Improvements to IFRS (2012 - 2014) cycle:

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. The amendments clarify requirements of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, IFRS 7, Financial Instruments - Disclosures, IAS 19, Employee Benefits, and IAS 34, Interim Financial Reporting. Chartwell is required to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. Chartwell does not expect the amendments to have a material impact on the consolidated financial statements.

(vi) Amendments to IAS 1:

On December 18, 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. Chartwell intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. Chartwell does not expect the amendments to have a material impact on the consolidated financial statements.

(vii) IFRS 16, Leases ("IFRS 16"):

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. Chartwell intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the amendments has not yet been determined.

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(a) Acquisitions during the year ended December 31, 2015:

The following acquisitions are consistent with Chartwell's strategy to focus on its core business and expand its presence in existing Canadian markets, and are accounted for as business combinations under IFRS 3.

Date of acquisition		May 4, 2015	June 1, 2015	July 31, 2015	August 5, 2015	September 11, 2015	November 9, 2015							
Segment		Canadian Retirement Operations												
Location		Province of Ontario	Province of Ontario	Province of Ontario	Province of Quebec	Province of Ontario	Province of Ontario	Step and equity accounting adjustments <sup>(1)(2)</sup>						
Number of properties (suites)		1 (94 suites)	2 (268 suites) <sup>(1)</sup>	1 (257 suites)	1 (90 suites)	3 (447 suites)	5 (616 suites) <sup>(2)</sup>	Total						
PP&E	\$	22,100	\$	41,120	\$	15,223	\$	259,131	\$	590,872	\$	(34,881)	\$	555,991
Goodwill		–	–	–	–	–	–	8,216	–	8,216	–	–	–	8,216
Deferred tax liability		–	–	–	–	–	–	(8,216)	–	(8,216)	–	–	–	(8,216)
Net assets acquired	\$	22,100	\$	41,120	\$	15,223	\$	259,131	\$	590,872	\$	(34,881)	\$	555,991
Cash consideration	\$	22,100	\$	20,274	\$	4,686	\$	187,359	\$	488,198	\$	(76,000)	\$	412,198
Mortgages assumed		–	20,846	–	9,244	–	56,636	–	86,726	–	20,846	–	–	107,572
Income support receivable		–	–	–	(162)	–	(1,987)	–	(2,149)	–	–	–	–	(2,149)
Mezzanine loan settled		–	–	–	1,455	–	–	–	1,455	–	–	–	–	1,455
Deferred consideration		–	–	–	–	–	1,506	–	1,506	–	–	–	–	1,506
Class B units issued		–	–	–	–	–	15,136	–	15,136	–	–	–	–	15,136
Fair value of previously held interest		–	–	–	–	–	–	–	–	–	–	20,273	–	20,273
	\$	22,100	\$	41,120	\$	15,223	\$	259,131	\$	590,872	\$	(34,881)	\$	555,991

(i) Chartwell acquired the remaining interest in two previously held investments in joint arrangements. These figures represent the fair value of the remaining interests acquired. Step acquisition adjustments are included under the heading "Step and equity accounting adjustments".

(iii) This includes the acquisition of two investments in joint ventures. These investments are eliminated from the table under the heading "Step and equity accounting adjustments":

On May 4, 2015, Chartwell acquired a 100% interest in a 94-unit retirement residence located in Thunder Bay, Ontario. The purchase price was \$22,100. The property has contributed revenue of \$2,305 and net loss of \$414 since the acquisition date. Chartwell incurred acquisition-related costs of \$773, which have been expensed in the consolidated statements of comprehensive income (loss).

On June 1, 2015, Chartwell acquired the remaining 50% interests in Valley Vista Retirement Residence ("Valley Vista") (151 suites) and Pickering City Centre Retirement Residence ("Pickering") (117 suites). Upon completion of these transactions, Chartwell owned a 100% interest in the properties. The purchase price was \$40,076 and was partially settled through the assumption of mortgages totalling \$19,802. A mortgage mark to market adjustment of \$1,044 was recorded on one of the assumed mortgages. Since these acquisitions were completed in steps, immediately before the acquisition Chartwell remeasured its original 50% interests to its fair value. This remeasurement has resulted in an increase in value of \$10,452, which has been recognized as a gain in other income, net in the consolidated statements of comprehensive income (loss). These properties have contributed revenue of \$6,210 and net loss of \$4,916 since the acquisition date. Chartwell incurred acquisition-related costs of \$673, which have been expensed in the consolidated statements of comprehensive income (loss).

On July 31, 2015, Chartwell acquired a 100% interest in the Grenadier Retirement Residence in Toronto, Ontario (257 suites). The purchase price was \$83,979 and was settled in cash. The property has contributed revenue of \$5,473 and net loss of \$1,799 since the acquisition date. Chartwell incurred acquisition-related costs of \$2,444, which have been expensed in the consolidated statements of comprehensive income (loss).

On August 5, 2015, Chartwell completed the acquisition of an 85% interest in a 90 suite addition (Phase II) to the existing 169 suite L'Unique retirement residence in Ste. Eustache, Quebec from entities affiliated with Batimo Inc. ("Batimo"). The purchase price of \$15,385 (\$18,100 at 100%) was settled through the assumption of a construction loan of \$9,244 (\$10,875 at 100%), settlement of the Chartwell mezzanine loan to Batimo of \$1,455 and cash. Batimo has provided Chartwell with an income support guarantee of up to \$162 if operating results fall below certain threshold amounts. L'Unique has contributed revenue of \$531 and net loss of \$301 since the acquisition date. Chartwell incurred acquisition-related costs of \$130, which have been expensed in the consolidated statements of comprehensive income (loss).

On September 11, 2015, Chartwell acquired from three separate vendor groups, 100% interests in three retirement residences in Ontario totalling 447 suites and excess land for the development of up to 69 additional suites. The purchase price was \$171,645. Included in the purchase price is a deferred payment of \$1,845 due on the third anniversary of closing. This deferred consideration was recorded at its fair value of \$1,506. The vendor of another property provided Chartwell with an income support guarantee of up to \$2,500 if operating results fall below certain threshold amounts. This income support receivable was recorded at its fair value of \$1,987. The properties have contributed revenue of \$5,389 and net loss of \$4,887 since the acquisition date. Chartwell incurred acquisition-related costs of \$4,108 which have been expensed in the consolidated statements of comprehensive income (loss).

On November 9, 2015 Chartwell acquired interests in five retirement residences in Ontario with a total of 616 suites, from five separate groups of vendors for an aggregate purchase price of \$254,007 before closing costs, mortgage mark to market and tax adjustments. The purchase price was settled by the assumption of two mortgages totaling \$51,512, bearing interest at a weighted average interest rate of 4.5% with the average term to maturity of 4.6 years, the issuance of \$15,136 of Class B Units and cash. One of the acquired properties is subject to a land lease that expires in 2056. Chartwell recorded a mortgage mark to market adjustment of \$5,124 with respect to the assumed mortgages. Chartwell also recorded a deferred tax liability and goodwill in amount of \$8,216.



The acquisitions of two properties have been structured as acquisitions of interests in limited partnerships that own the related retirement residences. Chartwell owns all outstanding Class C units of the partnerships and the affiliates of the vendors own all outstanding Class R units. Under the partnership agreements Class C units are entitled to quarterly distributions totaling \$4,750 for 2016, increasing by 3% per annum thereafter until December 31, 2018. Class R units are entitled to residual distributions up to a certain maximum. Once such maximum is achieved, the remaining distributions will be made in the ratio of 65% to Class C units and 35% to Class R units. The vendors of these properties and their affiliates provided the limited partnerships with the net operating income guarantees sufficient to effect the required Class C distributions. Signature Senior Living, an affiliate of one of the vendors, will continue to manage these two properties until December 31, 2018. In January 2019 Chartwell will be required to acquire all outstanding Class R units. The purchase price will be equal to the excess of the actual combined net operating income achieved for the year ended December 31, 2018, over the guaranteed income for that year, divided by 6.25%. Chartwell's interests in these properties are accounted for using the equity method of accounting (note 9).

The three properties in which Chartwell has a direct interest and which have been accounted for as business combinations, have contributed revenue of \$3,244 and net loss of \$2,931 since the acquisition date. Chartwell incurred acquisition-related costs of \$2,790 with respect to these three properties, which has been expensed in the consolidated statements of comprehensive income (loss).

(b) Acquisitions during the year ended December 31, 2014:

Chartwell completed three acquisitions for the year ended December 31, 2014. The acquisitions are consistent with Chartwell's strategy to focus on its core business and expand its presence in existing Canadian markets, and are accounted for as business combinations.

On January 2, 2014, Chartwell acquired the remaining 66.67% interest in Robert Speck Retirement Residence ("Robert Speck") (113 suites) from its joint operating partners. Upon completion of this transaction, Chartwell owned 100% interest in the property. The purchase price for the remaining 66.67% was \$21,333 and was partially paid for through the assumption of a \$15,200 mortgage. Since the Robert Speck acquisition was completed in steps, immediately before the acquisition Chartwell remeasured its original 33.33% interest to its fair value of \$10,667. This remeasurement has resulted in an increase in value of \$435, which has been recognized as a gain in the consolidated statements of comprehensive income (loss). Robert Speck has contributed revenue of \$3,483 (2014 - \$3,009) and net loss of \$836 (2014 - \$1,886) since the acquisition date. Chartwell incurred acquisition-related costs of \$355, which have been expensed in the consolidated statements of comprehensive income (loss) in 2014.

On July 3, 2014, Chartwell acquired a 100% interest in a 151-unit independent supported living residence located in Gatineau, Québec. The purchase price before closing costs was \$21,750. The property has contributed revenue of \$3,450 (2014 - \$1,701) and net loss of \$257 (2014 - \$267) since the acquisition date. Chartwell incurred acquisition-related costs of \$395, which have been expensed in the consolidated statements of comprehensive income (loss) in 2014.

On July 18, 2014, Chartwell acquired an 85% interest in two retirement residences (a 169-suite independent supported living retirement residence and a 98-suite assisted living retirement residence) and a medical office building, located in Ste. Eustache, Quebec from entities affiliated with Batimo Inc. ("Batimo"). The purchase price was \$44,315. The properties have contributed revenue of \$6,570 (2014 - \$2,987) and net loss of \$1,058 (2014 - \$432) since the acquisition date. Chartwell incurred acquisition-related costs of \$1,067, which have been expensed in the consolidated statements of comprehensive income (loss) in 2014.



The following table summarizes the allocation of the purchase price to each major category of assets acquired and liabilities assumed at the date of acquisition and the major categories of consideration transferred at Chartwell's ownership:

Date of acquisition	January 2, 2014	July 3, 2014	July 18, 2014			
Segment	Canadian Retirement Operations					
Location	Province of Ontario	Province of Québec	Province of Québec	Step accounting		
Number of suites	(113 suites) <sup>(1)</sup>	(151 suites)	(267 suites)	Sub-total	adjustments <sup>(1)</sup>	Total
PP&E	\$ 21,333	\$ 21,750	\$ 43,378	\$ 86,461	\$ 10,667	\$ 97,128
Other assets	—	—	907	907	—	907
Mortgages assumed	(15,200)	—	(27,853)	(43,053)	(7,600)	(50,653)
Net assets acquired	\$ 6,133	\$ 21,750	\$ 16,432	\$ 44,315	\$ 3,067	\$ 47,382
Cash consideration	\$ 6,133	\$ 21,750	\$ 16,432	\$ 44,315		

<sup>(1)</sup> Chartwell acquired the remaining interest in one previously held joint arrangement. These figures represent the fair value of the remaining interest acquired. Step acquisition adjustments are included under the heading "Step accounting adjustments".

#### 4. *Property, plant and equipment:*

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
<b>Cost</b>						
Balance, January 1, 2014	\$ 336,451	\$ 2,763,201	\$ 88,429	\$ 31,000	\$ 25,360	\$ 3,244,441
Additions	–	51,620	13,587	19,659	1,208	86,074
Additions through business combinations	11,066	84,186	1,876	–	–	97,128
Disposals	(26,901)	(216,086)	(4,932)	–	–	(247,919)
Derecognition	–	(43,477)	(7,102)	–	–	(50,579)
Transfers	1,875	30,363	3,097	(36,625)	–	(1,290)
Transfers to assets held for sale (note 13)	(1,632)	(4,111)	(475)	–	–	(6,218)
Exchange differences on translation of United States Operations	7,006	57,625	2,578	624	643	68,476
Balance, December 31, 2014	327,865	2,723,321	97,058	14,658	27,211	3,190,113
Additions	–	60,839	8,413	13,291	–	82,543
Additions through business combinations	34,212	509,674	11,105	–	1,000	555,991
Disposals	(90,973)	(749,075)	(33,541)	–	(9,839)	(883,428)
Derecognition	–	(29,423)	(997)	–	–	(30,420)
Transfers	547	10,268	628	(13,204)	–	(1,761)
Exchange differences on translation of United States Operations	5,206	42,331	1,864	–	504	49,905
Balance, December 31, 2015	\$ 276,857	\$ 2,567,935	\$ 84,530	\$ 14,745	\$ 18,876	\$ 2,962,943
<b>Accumulated depreciation and impairment losses</b>						
Balance, January 1, 2014	\$ –	\$ 560,923	\$ 51,853	\$ 2,422	\$ 1,103	\$ 616,301
Depreciation	–	146,712	20,747	–	–	167,459
Disposals	–	(45,321)	(2,499)	–	–	(47,820)
Derecognition	–	(43,477)	(7,102)	–	–	(50,579)
Transfers to assets held for sale (note 13)	–	(866)	(321)	–	–	(1,187)
Exchange differences on translation of United States Operations	–	14,650	1,688	–	–	16,338
Balance, December 31, 2014	–	632,621	64,366	2,422	1,103	700,512
Depreciation	–	114,687	12,939	–	–	127,626
Disposals	–	(223,734)	(25,746)	–	(1,103)	(250,583)
Derecognition	–	(29,423)	(997)	–	–	(30,420)
Impairment, net	–	3,755	–	–	–	3,755
Exchange differences on translation of United States Operations	–	11,320	1,365	–	–	12,685
Balance, December 31, 2015	\$ –	\$ 509,226	\$ 51,927	\$ 2,422	\$ –	\$ 563,575
<b>Carrying amounts</b>						
Balance, December 31, 2014	\$ 327,865	\$ 2,090,700	\$ 32,692	\$ 12,236	\$ 26,108	\$ 2,489,601
Balance, December 31, 2015	276,857	2,058,709	32,603	12,323	18,876	2,399,368

On June 1, 2015, Chartwell completed the step acquisition of Pickering and Valley Vista, purchasing the remaining 50% interest in the properties for \$40,076. As required under IFRS, the 100% fair value of assets acquired is included in additions through business combinations, and the fair value of the previously held 50% interests is included in disposals in the table above.

On January 2, 2014, Chartwell completed the step acquisition of Robert Speck, purchasing the remaining 66.67% interest in the property for \$21,333. As required under IFRS, the 100% fair value of assets acquired of \$32,000 is included in additions through business combinations, and the fair value of the previously held 33.33% interest of \$10,666 is included in disposals in the table above.

During the year ended December 31, 2015, Chartwell transferred two properties from properties under development to operating (2014 – two properties).

Chartwell capitalized \$240 of borrowing costs related to development projects under construction for the year ended December 31, 2015, at an average capitalization rate of 4.53%. During the year ended December 31, 2014, Chartwell capitalized \$239 of borrowing costs related to development projects under construction at an average capitalization rate of 4.96%.

During the years ended December 31, 2015 and 2014, Chartwell completed sales of various properties located in Canada and the U.S. (notes 13 and 20).

For the year ended December 31, 2015, Chartwell completed an assessment of PP&E to determine if any events have occurred that would indicate possible impairment of PP&E. Chartwell recorded impairment provisions of \$5,381 on four properties located in Quebec and Ontario. In addition, in 2015 Chartwell entered into an agreement to sell two properties located in Quebec. As a result, previously recorded property impairment provisions of \$1,626 were reversed.

For the year ended December 31, 2014, Chartwell completed an assessment of PP&E to determine if any events have occurred that would indicate possible impairment of PP&E. Chartwell concluded that no indicators existed based on operational results and management forecasts.

## 5. *Intangible assets:*

	Goodwill	Licenses	Other <sup>(1)</sup>	Total
<b>Cost</b>				
Balance, December 31, 2013	\$ —	\$ 44,334	\$ 15,781	\$ 60,115
Additions	—	—	96	96
Transfers	—	—	1,290	1,290
Derecognition	—	—	(214)	(214)
Exchange differences on translation of United States Operations	—	—	834	834
Balance, December 31, 2014	—	44,334	17,787	62,121
Additions	—	—	2,095	2,095
Acquisitions	8,216	—	—	8,216
Disposals	—	—	(10,772)	(10,772)
Transfers	—	—	1,761	1,761
Exchange differences on translation of United States Operations	—	—	641	641
Balance, December 31, 2015	\$ 8,216	\$ 44,334	\$ 11,512	\$ 64,062
<b>Accumulated amortization and impairment losses</b>				
Balance, December 31, 2013	\$ —	\$ —	\$ 10,338	\$ 10,338
Amortization	—	—	2,404	2,404
Derecognition	—	—	(214)	(214)
Exchange differences on translation of United States Operations	—	—	568	568
Balance, December 31, 2014	—	—	13,096	13,096
Amortization	—	—	916	916
Disposals	—	—	(7,606)	(7,606)
Exchange differences on translation of United States Operations	—	—	454	454
Balance, December 31, 2015	\$ —	\$ —	\$ 6,860	\$ 6,860
<b>Carrying amounts</b>				
Balance, December 31, 2014	\$ —	\$ 44,334	\$ 4,691	\$ 49,025
Balance, December 31, 2015	8,216	44,334	4,652	57,202

<sup>(1)</sup> Other intangible assets consist of the allocated cost of acquired management contracts and software costs.

The carrying value of goodwill is reviewed at each reporting date to determine whether there exists any indicator of impairment. If any indicator exists, then the asset's recoverable amount is estimated and an impairment loss is recognized if the carrying amount of the asset or its related CGU exceeds the recoverable amount.

Chartwell completed its annual impairment assessment of the carrying value of licences, which are intangible assets with indefinite useful lives, on November 30, 2015, and November 30, 2014. Licences do not generate cash inflows that are largely independent of those of other assets and Chartwell completed the assessment of the recoverable amount of these licences by comparing the fair value less costs to sell of the related CGUs containing the licenses, determined using the

discounted cash flow method, to their carrying values. The discounted cash flow method discounts the expected future cash flows, including the terminal value, at an appropriate market rate commensurate with the risk of the underlying cash flows. The terminal value is based on the application of a capitalization rate to estimated stabilized net operating income. The key assumptions used in the analysis include capitalization rates between 7.5% and 11% and a discount rate of 8.5% to 11%. Adjustments and capitalization rates were determined as management estimates based on review of market conditions, recent transactions and financing consideration. Chartwell determined that fair value less costs to sell exceeded the carrying value of the CGUs for the years ended December 31, 2015 and 2014.

## 6. *Capital funding receivable:*

The following table summarizes the capital funding receivable activity:

	Amount
Balance, December 31, 2013	\$ 71,179
Capital funding applied to receivable in the year	(4,710)
Balance, December 31, 2014	66,469
Capital funding applied to receivable in the year	(5,028)
Balance, December 31, 2015	\$ 61,441
Current	\$ 5,243
Non-current	56,198
	\$ 61,441

The capital funding receivable of \$61,441 (2014 - \$66,469) represents the present value of the funding receivable from the Government of Ontario in respect of 15 long term care properties. The weighted average remaining term of this funding is approximately 10.2 years. The discount rate used on the receivables above is based on applicable Ontario Government Bond Rates. The receipt of funding for the remaining terms of the agreements is subject to the condition that the homes continue to operate as long term care communities for the remaining period.

## 7. *Other assets:*

	2015	2014
Prepaid expenses and deposits	\$ 11,130	\$ 12,866
Restricted cash	2,199	9,349
Lease purchase option	—	4,232
Other assets	7,342	5,202
	\$ 20,671	\$ 31,649
Current	\$ 16,938	\$ 24,641
Non-current	3,733	7,008
	\$ 20,671	\$ 31,649

Other assets include receivables of \$3,264 recorded at their fair value, related to estimated income guarantees provided by vendors of certain acquired properties to Chartwell (2014 - \$907). Income guarantees are considered Level 3 in the fair value hierarchy. Non-current other assets relate to the unamortized value of below-market value leases.

## 8. *Loans receivable:*

	2015	2014
Vendor take back ("VTB") loans	\$ 7,483	\$ 6,000
Mezzanine and other loans	8,281	3,901
	<b>\$ 15,764</b>	<b>\$ 9,901</b>

In 2015, Chartwell advanced a VTB loan in connection with its sale of a non-core property. The VTB loan bears interest at the rate of 8% in year one, 10% in year two and 12% in year three and matures on June 1, 2018. At December 31, 2015, the outstanding balance on this loan was \$1,483.

VTB loans totalling \$6,000 bear interest at 8.00% and mature on May 1, 2017. The loans are secured by charges on seven properties sold by Chartwell in 2014. The loans are cross-collateralized, contain cross-default provisions and are secured by the corporate guarantees of the purchaser of these seven properties and its related parties.

Mezzanine and other loans are due from Batimo, mature between October 2019 and July 2020, bear interest at rates ranging from 8% to 10%, secured by first and second charges on Batimo's interests in certain operating and development seniors' housing projects and vacant land, as well as by Batimo's corporate guarantee and contain certain cross-collateralization and cross-default provisions.

## 9. *Joint arrangements:*

As at December 31, 2015, the following are Chartwell's joint arrangements:

Joint arrangements	Number of properties	Location	Chartwell ownership	Consolidation type
Chartwell-Welltower Landlord <sup>(1)</sup>	38	Canada	50%	Joint operation
Chartwell-Welltower Operator <sup>(1)</sup>	38	Canada	50%	Joint venture <sup>(2)</sup>
Batimo <sup>(4)</sup>	4	Canada	85%	Joint operation
Oakville	1	Canada	50%	Joint venture <sup>(2)</sup>
Constantia	1	Canada	50%	Joint venture <sup>(2)</sup>
Riverside	1	Canada	50%	Joint operation
Churchill	1	Canada	50%	Joint operation
Kamloops	1	Canada	50%	Joint operation
Oak Ridges <sup>(3)</sup>	1	Canada	<sup>(3)</sup>	Joint venture <sup>(2)</sup>
Clair Hills <sup>(3)</sup>	1	Canada	<sup>(3)</sup>	Joint venture <sup>(2)</sup>

<sup>(1)</sup> Chartwell directly holds its interest in real estate while its interest in operations is held through separate legal entities.

<sup>(2)</sup> These joint arrangements have been structured through separate legal vehicles.

<sup>(3)</sup> Chartwell owns a 100% of Class C units in these limited partnerships (note 3) which were formed on acquisition of two properties in 2015. Affiliates of the vendors of the properties hold Class R units in the limited partnerships.

<sup>(4)</sup> Includes one joint operation acquired in 2015.

Chartwell has entered into joint arrangements in respect of certain of its seniors housing operations as detailed in the table above. These joint arrangements are consistent with Chartwell's strategy by allowing a presence in markets or properties Chartwell otherwise would not have had access to. There are risks which arise from the joint arrangements, including: the willingness of the other partners to contribute or withdraw funds; a change in creditworthiness of the partner; the risk that the other partners may exercise buy sell, put or other sale or purchase rights which could obligate Chartwell to sell its interest or buy the other partners interest at a price which may not be favourable to Chartwell or at a time which may not be advantageous to Chartwell, the effect of which could be materially adverse to Chartwell's financial position or resources.

- (a) At December 31, 2015, Chartwell has an interest in a number of joint operations, which have been accounted for under the proportionate consolidation method. The following is the summarized financial information in respect of the interests in these joint operations which is included line by line in the consolidated financial statements at Chartwell's share:

	2015	2014
Current assets	\$ 7,539	\$ 7,253
Non-current assets	455,235	445,971
<b>Total assets</b>	<b>\$ 462,774</b>	<b>\$ 453,224</b>
Current liabilities	\$ 64,140	\$ 66,732
Non-current liabilities	246,454	237,759
<b>Total liabilities</b>	<b>\$ 310,594</b>	<b>\$ 304,491</b>
Total revenue	\$ 50,542	\$ 44,890
Total expenses	\$ 43,136	\$ 51,029

- (b) The following tables summarize the information about Chartwell's investment in joint ventures which have been accounted for under the equity method:

	2015	2014
Distributions received from joint ventures	\$ 60,251	\$ 6,118
Contributions to joint ventures	77,591	—

In 2015, Chartwell acquired two properties by investing in newly formed limited partnerships, which own the assets (note 3). Total initial investments amounted to \$77,591. Subsequently the limited partnerships arranged for debt financing on the properties and distributed \$55,167 to Chartwell.

	2015	2014
Current assets	\$ 13,542	\$ 10,452
Non-current assets	105,948	45,613
<b>Total assets</b>	<b>\$ 119,490</b>	<b>\$ 56,065</b>
Current liabilities	\$ 20,269	\$ 4,560
Non-current liabilities	65,228	28,074
<b>Total liabilities</b>	<b>\$ 85,497</b>	<b>\$ 32,634</b>
<b>Net investment in joint ventures</b>	<b>\$ 33,993</b>	<b>\$ 23,431</b>

Included in current assets is \$5,852 (2014 - \$3,705) in cash and cash equivalents.

	2015	2014
Revenue	\$ 106,213	\$ 103,055
Expenses	(106,399)	(101,736)
Chartwell's share of net income (loss) from joint ventures	\$ (186)	\$ 1,319



Related party transactions occur between Chartwell and its joint ventures. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the parties. Except as disclosed elsewhere in these consolidated financial statements, the related party balances are included in accounts payable and receivable, and in management fee income, as applicable. As of December 31, 2015, \$244 (2014 - \$638) of Chartwell's accounts receivable and \$4,625 (2014 - \$5,755) of Chartwell's accounts payable were due from/to its joint ventures. For the year ended December 31, 2015, \$5,555 (2014 - \$5,371) of Chartwell's management fees were earned from joint ventures.

On June 1, 2015 Chartwell acquired the remaining 50% ownership interest in Pickering and Valley Vista. Previously Chartwell accounted for Pickering as a joint venture and for Valley Vista as a joint operation. As a result of obtaining control (note 3), Chartwell's net investment in joint ventures decreased by \$6,590.

Chartwell and Welltower Inc. (formerly Health Care REIT Inc.) ("Welltower") (referred to as the "landlords") each owns a 50% direct beneficial interest in the real estate assets and are obligated for the related mortgages for a portfolio of 38 properties which under IFRS 11, Joint Arrangements ("IFRS 11"), are accounted for as joint operations. Chartwell's 50% interest in the operations of these properties is held through separate legal entities (collectively referred to as "Chartwell-Welltower operator") and, under IFRS 11 is accounted for as joint ventures using the equity method. As a result of this relationship, included in accounts payable related to entities in which Chartwell invests in joint ventures, as noted above, is \$657 (2014 - \$1,901) as a result of transactions between properties landlords and Chartwell-Welltower operator.

Chartwell-Welltower operators have leased the real estate from the landlords under their respective lease agreements. The terms of these leases are for three-year periods, with automatic renewal terms as long as the joint arrangement between Chartwell and Welltower is still in effect. Lease payments vary for each property and include annual adjustments based upon agreed financial ratios. As a result, Chartwell's 50% share of the landlords' lease receipts, \$33,000 for the year ended December 31, 2015 (2014 - \$32,636), is reported as lease revenue and is included in lease revenue from joint ventures. Chartwell-Welltower operator lease expense is included in the share of net income (loss) from joint ventures in the consolidated statements of comprehensive income (loss).

## **10. Secured debt:**

### **(a) Mortgages payable:**

Mortgages payable are secured by first and second charges on specific properties and are measured at amortized cost. For more information about Chartwell's exposure to interest rates and liquidity risks, see note 17.

The mortgages payable as at December 31, 2015 are as follows:

	Regular principal payments	Principal due on maturity	Total debt	% of total debt
2016	\$ 49,013	\$ 108,940	\$ 157,953	10
2017	47,746	59,235	106,981	7
2018	47,359	70,073	117,432	8
2019	45,971	212,854	258,825	17
2020	46,170	109,562	155,732	10
2021	44,399	68,791	113,190	7
2022	40,810	62,200	103,010	7
2023	36,075	58,992	95,067	6
2024	26,597	127,797	154,394	10
2025	21,108	33,105	54,213	4
2026	19,527	1,528	21,055	1
2027	20,140	0	20,140	2
2028	27,232	18,925	46,157	3
2029	18,191	0	18,191	1
2030	17,639	3,996	21,635	1
Thereafter	65,688	22,253	87,941	6
	<u>\$ 573,665</u>	<u>\$ 958,251</u>	1,531,916	<u>100</u>

Mark-to-market  
adjustments

on acquisition

Financing costs

18,795

(19,353)

\$ 1,531,358

Current

Non-current

\$ 159,699

1,371,659

\$ 1,531,358

	2015	2014
Mortgages at fixed rates:		
Mortgages (principal)	\$1,365,860	\$1,780,444
Interest rates	1.79 to 8.51%	1.96% - 8.51%
Weighted average interest rate	4.30%	4.91%
Mortgages at variable rates:		
Mortgages (principal)	\$166,056	\$141,377
Interest rates	Bankers acceptance plus 1.50% to prime plus 2.00%	Lender COF <sup>(i)</sup> plus 2.00% to prime plus 2.50%
Weighted average interest rate	3.01%	4.23%
Blended weighted average rate	4.16%	4.86%

<sup>(i)</sup> Cost of funds ("COF")

Mortgages totalling \$124,978 (2014 - \$21,628) have interest rates fixed through interest rate swap contracts with a fair value of \$803 (2014 - \$46)

(b) Credit facility:

- (i) On June 1, 2015, Chartwell arranged a new Credit Facility for a three-year term expiring on June 1, 2018. The Credit Facility bears interest ranging from the bank's prime rate plus 0.65% to bank's prime rate plus 0.80% or banker's acceptance rate plus 1.65% to banker's acceptance rate plus 1.80%, depending on the ratio of Chartwell's debt to adjusted gross book value of assets ("D/GBV"), as defined in the Credit Agreement. The Credit Facility is secured by charges on specific properties and includes minimum equity requirements and covenants which include requiring limitations on the amount of cash distributions that can be paid to unitholders. At December 31, 2015, the maximum available borrowing capacity under the Credit Facility was \$199,134 based on the security provided. Of this capacity, \$4,002 has been allocated to support various letters of credit issued by Chartwell and \$32,000 was drawn.
- (ii) On January 27, 2014, Chartwell entered into a U.S. Credit Facility expiring on December 31, 2015. The U.S. Credit Facility was cancelled in June 2015.

## 11. Convertible debentures:

Chartwell has elected to designate convertible debentures as FVTPL. Fair value is determined using the market prices for these listed convertible debentures. Since inputs are unadjusted, quoted prices of identical instruments in active markets, convertible debentures are considered Level 1 in the fair value hierarchy. The market price of the 5.7% convertible debentures at December 31, 2015 was \$119.95 (2014 - \$112) per debenture.

Chartwell has the following series of convertible debentures outstanding:

	2015	2014
5.7% convertible debentures:		
Principal	\$ 134,851	\$ 135,000
Fair value	161,754	151,200

The 5.7% convertible debentures bear interest at an annual rate of 5.7%, payable semi-annually in arrears on March 31 and September 30 in each year, and mature on March 31, 2018. Each 5.7% convertible debenture is convertible into freely tradable Trust Units of Chartwell at the option of the holder at any time prior to the earlier of March 31, 2018, and the last business day immediately preceding the date specified by Chartwell for redemption of the 5.7% convertible debentures, at a conversion price of \$11.00 per Trust Unit. Holders converting their 5.7% convertible debentures will be entitled to receive, in addition to the applicable number of Trust Units, accrued and unpaid interest thereon for the period from the last interest payment date on their 5.7% convertible debentures up to and including the last record date set by Chartwell prior to the date of conversion for determining the unitholders entitled to receive a distribution on Chartwell Units. In the event Chartwell has suspended regular distributions, then the 5.7% convertible debentures holders, in addition to the applicable number of Trust Units to be received on conversion, will be entitled to receive accrued and unpaid interest for the period from the last payment date prior to the date of conversion.

Prior to March 31, 2017, the 5.7% convertible debentures may be redeemed by Chartwell in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest provided that the volume-weighted average trading price, as defined in Chartwell Indenture, is not less than 125% of the conversion price. On or after March 31, 2017, the 5.7% convertible debentures may

be redeemed by Chartwell in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest.

Subject to regulatory approval and provided no event of default has occurred, Chartwell may, at its option, elect to satisfy its obligation to pay the principal amount of the 5.7% convertible debentures on redemption or maturity through, in whole or in part, the issuance of freely tradable Trust Units. The number of Trust Units to be issued in respect of each debenture will be determined by dividing the principal amount of the debenture by 95% of the volume-weighted average trading price, as defined in the indenture. In addition, subject to regulatory approval and provided no event of default has occurred, Trust Units may be issued with the proceeds used by the 5.7% convertible debentures Trustee to satisfy the obligations to pay interest on the 5.7% convertible debentures.

## 12. Accounts payable and other liabilities:

	Note	2015	2014
Accounts payable and accrued liabilities		\$ 88,679	\$ 95,413
Resident deposits		2,846	2,662
Deferred revenue		528	9,614
Deferred Trust Units	(a)	10,501	8,269
Restricted Trust Units	(b)	3,118	1,406
LTIP option component	15(b)	8,364	6,857
		<b>\$ 114,036</b>	<b>\$ 124,221</b>

### (a) Deferred Unit Plan:

Chartwell provides a Deferred Unit Plan for its independent directors. The plan entitles directors, at their option, to receive all, 75%, 50% or 25% of their directors' fees in the form of Deferred Trust Units. Chartwell matches, on a one-on-one basis, the number of Trust Units elected to be received by directors. The number awarded is based on the fair market value of Chartwell Units, as defined in the plan, on the award date. The Deferred Trust Units earn additional Deferred Trust Units related to distributions that would otherwise have been paid if Trust Units, as opposed to Deferred Trust Units, had been issued on the date of the grant. The number of Deferred Trust Units issued in regard to distributions is based on the fair market value of Trust Units, as defined in the plan, on the date distributions are paid. Deferred Trust Units cannot be distributed to the directors until after they retire from the board.

As described in note 2(i)(ii), this plan is considered a cash-settled plan with the value of issued units recorded as a liability on the consolidated balance sheets. Deferred Trust Unit values are initially calculated based on the grant date fair value. Fair value is determined using the market prices for listed Trust Units since there is a one-for-one conversion feature. The liability is remeasured to fair value at each reporting date until the liability is settled. The liability is released to equity after retirement of the director. The market ask price of Trust Units as at December 31, 2015 was \$12.76 (2014 - \$11.95).

The following table summarizes the Deferred Trust Unit activity:

	Units outstanding	Amount
Balance, December 31, 2013	607,986	\$ 6,080
Units granted	93,955	1,032
Deferred Trust Units exchange for Trust Units on vesting	(40,942)	(431)
Change in fair value and distributions	31,050	1,588
Balance, December 31, 2014	692,049	8,269
Units granted	97,203	1,179
Change in fair value and distributions	33,914	1,053
Balance, December 31, 2015	823,166	\$ 10,501

The non-cash compensation expense attributable to the Deferred Trust Unit Plan of \$1,179 for the year ended December 31, 2015, (2014 – \$1,034), is included in general, administrative and trust expenses.

(b) Restricted Unit Plan:

Under the terms of the Restricted Unit Plan, qualified employees are granted notional Trust Units on an annual basis which will vest three years after the date of any grant and will be paid out in cash. The notional Trust Units earn additional notional Trust Units related to distributions that would otherwise have been paid if Trust Units had been issued on the date of the grant. The number of notional Trust Units issued in regard to distributions is based on the fair market value of Trust Units, as defined in the plan, on the date distributions are paid. Restricted Units are recognized as compensation expense over the service period, with the corresponding amount recorded as a liability on the consolidated balance sheets. The liability is remeasured to fair value at each reporting date until the liability is settled. The Restricted Unit Plan is payable on vesting to certain participants, based on the extent to which Chartwell has achieved certain adjusted funds from operations targets over a three-year period.

During the year ended December 31, 2015, 198,894 notional Trust Units were issued (2014 - 194,141), 20,583 notional Trust units were cancelled (2014 - 27,289), 19,897 notional Trust units were issued related to reinvested distributions (2014 - 15,935), and 34,252 notional Trust units vested and were paid out (2014 - 81,947). At December 31, 2015, 433,774 notional Trust Units remained outstanding (2014 - 269,818).

The compensation expense attributable to the Restricted Trust Unit Plan of \$2,062 for the year ended December 31, 2015, (2014 - \$1,648), is included in general, administrative and trust expenses.

### 13. *Discontinued operations:*

On June 30, 2015, Chartwell completed the sale of 100% of its shares in CSH Master Care USA Inc. (the "U.S. Subsidiary"), through a series of transactions, to a newly-formed joint venture between HCP, Inc. ("HCP") and Brookdale Senior Living Inc. ("Brookdale").

The U.S. Subsidiary wholly owned Chartwell's entire U.S. portfolio, comprising 5,022 suites in 35 communities (the "U.S. Portfolio").

The gross sale price was U.S. \$847,449 (\$1,058,464). The related debt of U.S. \$477,939 (\$596,946) was settled on sale.

Chartwell recorded a gain on the sale of the U.S. Portfolio of \$432,241, net of transaction costs of \$13,528.

As a result of the sale of the U.S. Portfolio, financial results related to the year ended December 31, 2014, have been restated for the classification of the results of the U.S. Portfolio as discontinued operations.

The following is a summary of the results of discontinued operations:

	2015	2014
Resident revenue	\$ 114,110	\$ 213,428
Direct operating costs	(80,819)	(146,146)
Finance costs	(16,939)	(35,113)
Other income (expense)	(1,371)	997
Gain on disposal of PP&E	—	34,312
Depreciation of PP&E	(13,870)	(47,127)
Amortization of intangible assets	(255)	(909)
Changes in fair values of financial instruments, foreign exchange and adjustments on mortgages	(26,827)	(768)
Gain on disposal of discontinued operations	432,241	—
Income before income taxes	406,270	18,674
Current income tax expense (note 23)	(56,176)	(923)
Net income from discontinued operations	\$ 350,094	\$ 17,751
Cash flows from discontinued operations:		
Net cash used in operating activities	\$ 14,804	\$ (235)
Net cash used in financing activities	(5,213)	(38,910)
Net cash provided by investing activities	427,045	38,374
Foreign exchange loss on cash	(7)	(2,026)
Effect on cash flows	\$ 436,629	\$ (2,797)

## 14. Class B Units:

Class B Units are exchangeable, at the option of the holder, into Trust Units. Such exchangeable instruments are presented as a liability. Chartwell has elected to designate Class B Units as FVTPL. Fair value is determined by using market prices for listed Trust Units since there is a one-for-one exchange feature for each Class B Unit into a Trust Unit. As inputs are unadjusted, quoted prices of identical instruments in active markets, Class B Units are considered Level 2 in the fair value hierarchy.

Holders of the Class B Units are entitled to receive distributions equal to those provided to holders of Trust Units. These distributions are included in finance costs in the consolidated statements of comprehensive income (loss).

	Units outstanding	Amount
Balance, December 31, 2013	1,658,312	\$ 16,583
Exchange of Class B Units into Trust Units	(16,989)	(178)
Change in fair value	—	3,209
Balance, December 31, 2014	1,641,323	19,614
Issuance of Class B Units (note 3)	1,187,170	15,136
Exchange of Class B Units into Trust Units	(1,187,170)	(14,590)
Change in fair value	—	783
Balance, December 31, 2015	1,641,323	\$ 20,943

## 15. Unitholders' equity and LTIP:

### (a) Trust Units:

Chartwell is authorized to issue unlimited Trust Units.

Trust Units are redeemable at any time, in whole or in part, on demand by holders. Upon receipt of redemption notice by Chartwell, all rights to and under Trust Units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per Trust Unit equal to the lesser of:

- (i) 90% of the "market price" of the Units on the principal market on which the units are quoted for trading during the 10-trading-day period ending immediately prior to the date on which the units were surrendered for redemption; and
- (ii) 100% of the "closing market price" on the principal market on which the units are listed for trading on the redemption date.

The aggregate redemption price payable by Chartwell in respect of any Trust Units surrendered for redemption during any calendar month shall not exceed \$50 unless waived at the discretion of Trustees and satisfied by way of cash payment in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption. To the extent the redemption price payable in respect of Trust Units surrendered for redemption exceeds \$50 in any given month, such excess will be satisfied by way of a distribution in species of assets held by Chartwell.



The following Trust Units are issued and outstanding:

	Number of Trust Units	Amount
Balance, December 31, 2013	171,643,982	\$ 1,724,564
Trust Units issued under DRIP	1,670,021	17,408
Trust Units issued on vesting of DTU	40,942	431
Trust Units issued in exchange of Class B Units	16,989	178
Trust Units released on settlement of LTIP receivable	114,058	1,205
Balance, December 31, 2014	173,485,992	1,743,786
Trust Units issued under DRIP	1,595,951	18,574
Trust Units issued on conversion of debt	13,542	149
Trust Units issued in exchange of Class B Units	1,187,170	14,590
Trust Units released on settlement of LTIP receivable	118,546	1,397
Balance, December 31, 2015	176,401,201	\$ 1,778,496

(b) LTIP:

LTIP fair value is measured using the Monte Carlo simulation method. The following table summarizes the assumptions used to determine the fair value of the LTIP option component:

	2015	2014
Expected volatility	15.32% - 20.32%	10.68% - 15.68%
Risk-free rate	1.78% - 2.41%	2.32% - 2.69%
Distribution yield	5.10% - 5.94%	5.30%

Chartwell has established an LTIP, under which the eligible participants may subscribe for Trust Units for a purchase price equal to the weighted average trading price of the units for 20 trading days preceding the date of issuance. Participants are required to pay interest on the unpaid balance of the purchase price at a rate not less than the rate prescribed under the Income Tax Act (Canada) at the time Trust Units under the LTIP are issued. All distributions on Trust Units under the LTIP are applied as payments, first of interest and then of balance toward reduction of the principal of the LTIP receivable. Trust Units issued under the LTIP are held as security for the outstanding LTIP receivable. Participants may prepay the principal at their discretion and receive the Trust Units. If a participant elects to withdraw from the plan without paying the balance of the LTIP receivable in full, Chartwell may elect to sell Trust Units issued under the LTIP in satisfaction of the outstanding LTIP receivable. Chartwell's recourse is limited to Trust Units it holds as security. On May 15, 2014, the LTIP was amended, such that the period for payment for the exercise of terms of the LTIP awards was extended from 10 to 20 years, for LTIP awards issued before April 1, 2014. Subsequent LTIP awards are limited to senior executives, continue to have 10-year terms and vest immediately.

An aggregate of 5,900,890 Trust Units are reserved for issuance pursuant to the LTIP, of which 2,945,365 were available to be issued at December 31, 2015.

The following table summarizes Trust Units issued under the LTIP:

	Number of Trust Units issued under LTIP	Amount
Balance, December 31, 2013	1,893,074	\$ 21,294
Trust Units issued under LTIP	114,027	1,166
Trust Units surrendered for cancellation under LTIP	(252,279)	(3,382)
Trust Units released on settlement of LTIP receivable	(114,058)	(1,205)
Balance, December 31, 2014	1,640,764	17,873
Trust Units issued under LTIP	71,734	856
Trust Units surrendered for cancellation under LTIP	(40,318)	(443)
Trust Units released on settlement of LTIP receivable	(118,546)	(1,397)
Balance, December 31, 2015	1,553,634	\$ 16,889

The compensation expense attributable to the LTIP of \$324 for the year ended December 31, 2015 (2014 - \$507) is included in general, administrative and trust expenses with a corresponding amount included in accounts payable and other liabilities. The LTIP receivable is also recognized in unitholders' equity. Distributions received on Trust Units issued under the LTIP are charged to unitholders' equity while interest received on LTIP receivable is credited to distributions.

(c) DRIP:

Chartwell has established a DRIP for its unitholders, which allows participants to reinvest their monthly cash distributions in additional Trust Units at an effective discount of 3%.

## 16. Segmented information:

Chartwell monitors and operates its Canadian Retirement and Canadian Long Term Care separately. The accounting policies of each of the segments are the same as those for Chartwell. These segments include Chartwell's proportionate share of its joint ventures. The "Reconciliation" column shows the adjustments to account for these joint ventures using the equity method as applied in these consolidated financial statements. Certain general, administrative and trust expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.

2015	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations (note 13)	Segment Total	Other	Subtotal	Reconciliation	Total
Continuing Operations								
Revenue:								
Resident Management and other fees	\$ 530,520	\$ 219,607	\$ –	\$ 750,127	\$ –	\$ 750,127	\$ (106,213)	\$ 643,914
Lease revenue from joint ventures	–	–	–	–	7,815	7,815	–	7,815
Loan interest	–	–	–	–	–	–	33,000	33,000
	–	–	–	–	1,142	1,142	–	1,142
	530,520	219,607	–	750,127	8,957	759,084	(73,213)	685,871
Expenses:								
Direct operating	338,101	191,913	–	530,014	–	530,014	(66,479)	463,535
General, administrative and trust	–	–	–	–	30,771	30,771	–	30,771
	338,101	191,913	–	530,014	30,771	560,785	(66,479)	494,306
Income (loss) before the undernoted <sup>(1)</sup>	192,419	27,694	–	220,113	(21,814)	198,299	(6,734)	191,565
Finance costs:								
Contractual interest	(51,804)	(11,125)	–	(62,929)	(9,959)	(72,888)	1,334	(71,554)
Other	(228)	1,008	–	780	(1,357)	(577)	54	(523)
Other income (expense):								
Interest and other income	129	3,268	–	3,397	187	3,584	(98)	3,486
Other	(1,303)	(269)	–	(1,572)	(991)	(2,563)	1,746	(817)
Depreciation and amortization	(107,946)	(8,758)	–	(116,704)	(1,557)	(118,261)	3,844	(114,417)
Share of net loss from joint ventures	–	–	–	–	–	–	(186)	(186)
Changes in fair values of financial instruments and foreign exchange gains (losses)	(710)	–	–	(710)	(1,621)	(2,331)	40	(2,291)
Income (loss) before income taxes	30,557	11,818	–	42,375	(37,112)	5,263	–	5,263
Income tax (expense) benefit	8,216	–	–	8,216	(1,340)	6,876	–	6,876
Income (loss) from continuing operations	38,773	11,818	–	50,591	(38,452)	12,139	–	12,139
Net income (loss) from discontinued operations net of income taxes	–	–	350,094	350,094	–	350,094	–	350,094
Net income (loss)	\$ 38,773	\$ 11,818	\$ 350,094	\$ 400,685	\$ (38,452)	\$ 362,233	\$ –	\$ 362,233
Expenditures for non-current assets:								
Acquisition of properties	\$ 515,916	\$ –	\$ –	\$ 515,916	\$ –	\$ 515,916	\$ 40,075	\$ 555,991
Capital additions	63,578	7,589	11,417	82,584	3,840	86,424	(1,786)	84,638

<sup>(1)</sup> Refers to income before finance costs, other income (expense), depreciation and amortization, changes in fair values of financial instruments and foreign exchange gains (losses), share of net income from joint ventures, income tax (expense) benefit and discontinued operations.

2014	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations (note 13)	Segment Total	Other	Subtotal	Reconciliation	Total
Continuing Operations								
Revenue:								
Resident Management and other fees	\$ 497,643	\$ 216,677	\$ –	\$ 714,320	\$ –	\$ 714,320	\$ (103,055)	\$ 611,265
Lease revenue from joint ventures	–	–	–	–	7,483	7,483	–	7,483
Interest on loans receivable	–	–	–	–	–	–	32,636	32,636
	–	–	–	–	461	461	–	461
	497,643	216,677	–	714,320	7,944	722,264	(70,419)	651,845
Expenses:								
Direct operating	323,091	187,877	–	510,968	–	510,968	(64,615)	446,353
General, administrative and trust	–	–	–	–	31,582	31,582	–	31,582
	323,091	187,877	–	510,968	31,582	542,550	(64,615)	477,935
Income (loss) before the undernoted <sup>(1)</sup>	174,552	28,800	–	203,352	(23,638)	179,714	(5,804)	173,910
Finance costs:								
Contractual interest	(56,186)	(12,167)	–	(68,353)	(9,384)	(77,737)	1,495	(76,242)
Other	(72)	981	–	909	(1,080)	(171)	29	(142)
Other income (expense):								
Interest and other income	169	3,572	–	3,741	1,161	4,902	(128)	4,774
Other	5,713	(263)	–	5,450	45	5,495	78	5,573
Depreciation and amortization	(111,409)	(10,772)	–	(122,181)	(2,618)	(124,799)	2,972	(121,827)
Share of net income from joint ventures	–	–	–	–	–	–	1,319	1,319
Changes in fair values of financial instruments and foreign exchange gains (losses)	(88)	–	–	(88)	(15,568)	(15,656)	39	(15,617)
Income (loss) before income taxes	12,679	10,151	–	22,830	(51,082)	(28,252)	–	(28,252)
Income tax (expense) benefit	4	–	–	4	2,218	2,222	–	2,222
Income (loss) from continuing operations	12,683	10,151	–	22,834	(48,864)	(26,030)	–	(26,030)
Net income (loss) from discontinued operations net of income taxes	–	–	17,751	17,751	–	17,751	–	17,751
Net income (loss)	\$ 12,683	\$ 10,151	\$ 17,751	\$ 40,585	\$ (48,864)	\$ (8,279)	\$ –	\$ (8,279)
Expenditures for non-current assets:								
Acquisition of properties	\$ 97,128	\$ –	\$ –	\$ 97,128	\$ –	\$ 97,128	\$ –	\$ 97,128
Capital additions	58,120	7,947	18,172	84,239	3,227	87,466	(1,296)	86,170

<sup>(1)</sup> Refers to income before finance costs, other income (expense), depreciation and amortization, changes in fair values of financial instruments and foreign exchange gains (losses), share of net income from joint ventures, income tax (expense) benefit and discontinued operations.

2015	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Total assets	\$ 2,379,886	\$ 277,516	\$ –	\$ 2,657,402	\$ 23,515	\$ 2,680,917	\$ (81,528)	\$ 2,599,389
Total liabilities	\$ 1,487,216	\$ 210,169	\$ –	\$ 1,697,385	\$ 254,012	\$ 1,951,397	\$ (81,528)	\$ 1,869,869

2014	Canadian Retirement Operations	Canadian Long Term Care Operations	United States Operations	Segment Total	Other	Subtotal	Reconciliation	Total
Total assets	\$ 1,832,749	\$ 283,656	\$ 597,438	\$ 2,713,843	\$ 20,484	\$ 2,734,327	\$ (29,078)	\$ 2,705,249
Total liabilities	\$ 1,291,652	\$ 220,117	\$ 542,218	\$ 2,053,987	\$ 246,742	\$ 2,300,729	\$ (29,078)	\$ 2,271,651

## 17. Financial instruments and financial risk management:

### (a) Carrying values and fair values of financial instruments:

The carrying amounts and fair values of financial instruments, not otherwise disclosed in these consolidated financial statements, as shown in the consolidated balance sheets, are shown in the table below. The table below excludes cash, trade and other receivables, accounts payable and other liabilities, and distributions payable, as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value.

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Financial assets recorded at amortized cost:				
Loans receivable	\$ 15,764	\$ 15,764	\$ 9,901	\$ 9,901
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	1,531,358	1,610,416	1,917,076	2,017,753
Credit Facility	32,000	32,000	45,500	45,500

Fair value represents management's estimates of the fair market value at a given point in time, which may not reflect fair value in the future. These calculations are subjective, involve uncertainties and are a matter of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following summarizes the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

The fair value of mortgages payable is estimated by discounting the expected future cash flows using the rates currently prevailing for similar instruments of similar maturities. At December 31, 2015, the mortgages payable were discounted using rates between 1.63% and

4.30% (2014 - 2.01% and 4.58%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of mortgages is Level 2 in the fair value hierarchy.

The fair value of the Credit Facility approximates its carrying value, and is considered Level 2 in the fair value hierarchy as inputs are observable directly or indirectly.

(b) Financial risk management objectives and policies:

In the normal course of business, Chartwell is exposed to risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for unitholder returns. Chartwell is exposed to financial instrument risks that arise from the fluctuation of interest rates, the credit quality of its residents and borrowers pursuant to mezzanine and other loans, and risks of changes in foreign exchange rates.

The Board of Trustees has overall responsibility for the establishment and oversight of Chartwell's risk management framework. Management is responsible for developing and monitoring Chartwell's risk management policies and reports regularly to the Board of Trustees on its activities.

There have been no significant changes to Chartwell's risk management policies and strategies since December 31, 2014.

These financial instrument risks are managed as follows:

(i) Credit risk:

Chartwell is exposed to credit risk arising from the possibility that parties responsible for payment of fees or the borrowers of mezzanine and other loans may experience financial difficulty and be unable to fulfill their contractual obligations. Chartwell has three significant categories of receivables: resident receivables, funding receivable from various provincial governments and loans receivable.

Chartwell regularly monitors the credit risk exposure and takes steps to mitigate the likelihood that these exposures will result in an actual loss.

Chartwell's exposure to credit risk from resident receivables is influenced mainly by the individual characteristics of each resident, the demographics of its resident base and general economic conditions. Due to the nature of Chartwell's business and geographic spread of its resident base, there is no significant concentration of receivables from residents.

In the event that Chartwell's borrowers face financial difficulty and are not able to meet their commitments to their lenders, including Chartwell, Chartwell could suffer a loss of either interest or principal or both on the loans it has advanced, since other lenders will rank ahead of Chartwell in any recovery. To decrease the credit risk exposure the loans are secured by charges of the borrowers' interests in development projects, and often by corporate or personal guarantees.

Generally, the carrying amount on the consolidated balance sheets of Chartwell's financial assets exposed to credit risk, net of applicable loss allowances, represents Chartwell's maximum exposure to credit risk. Chartwell limits its exposure to credit risk related to derivatives by transactions with counterparties that are stable and of high credit quality.

Accounts receivable from residents are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a resident will default.

Chartwell records an allowance for doubtful accounts when accounts are determined to be uncollectible. At December 31, 2015, outstanding residents receivables were \$1,311 (2014 - \$4,053), net of an impairment reserve of \$866 (2014 - \$1,370).

(ii) Liquidity risk:

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to Chartwell to fund its growth program and refinance or meet its payment obligations as they arise.

Chartwell's principal liquidity needs arise from working capital requirements, debt servicing and repayment obligations, planned funding of maintenance, leasing costs and distributions to unitholders, and possible property development and acquisition funding requirements.

The above liquidity needs are funded from cash flows from operating the property portfolio, with the exception of debt repayment obligations and property acquisition funding requirements. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of this strategy. If this strategy is unsuccessful, other sources of funding include additional draws on the Credit Facility, raising funds by refinancing existing mortgages, arranging new mortgage financing, issuing units, convertible debentures or selling properties. At December 31, 2015, Chartwell had \$3,002 in cash and \$163,572 available and undrawn on the Credit Facility (note 10(b)).

Chartwell holds licences related to each of its long term care communities and in certain cases, retirement communities. Holders of these licences receive funding from the relevant provincial government. During the year ended December 31, 2015, Chartwell received \$193,547 (2014 - \$192,273) in funding in respect of these licences, which has been recorded as resident revenue, other income and capital funding receivable.

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to Chartwell or on any terms at all. Management mitigates this risk by staggering debt maturities and through the use of programs, such as CMHC-insured mortgages.

On December 5, 2015, Chartwell entered into a large borrower agreement ("LBA") with CMHC. The LBA provides among other things, the cross-collateralization of mortgage loans for our largest CMHC insured lenders, and contains certain financial and operating covenants.

There is also a risk that the Credit Facility will not be renewed on terms and conditions acceptable to Chartwell or on any terms at all.

Chartwell's major contractual obligations as at December 31, 2015 are detailed in note 24.

(iii) Market risk:

Market risk is the risk of an adverse financial impact due to a change in market conditions, such as foreign exchange rates, interest rates and equity prices that will affect Chartwell's income or the value of its holdings of financial instruments.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Chartwell is exposed to interest rate risk on its floating-rate debt on an ongoing basis and its fixed-rate debt upon renewal. At December 31, 2015, \$198,057 (2014 - \$186,877) of Chartwell's mortgages and loans payable bear interest at floating rates. To mitigate interest rate risk, Chartwell fixes or



otherwise limits the interest rate on its long term debt to the extent possible on renewal. It may also enter into derivative financial instruments from time to time to mitigate interest rate risk. Generally, Chartwell fixes the term of long term debt within a range of 5 to 30 years. To limit exposure to the risk of higher interest rates at renewal, Chartwell spreads the maturities of its fixed-rate, long term debt over time.

At December 31, 2015, Chartwell's interest-bearing financial instruments were:

	Carrying amount	
	2015	2014
Fixed-rate financial liabilities	\$ 1,500,711	\$ 1,915,444
Variable-rate financial liabilities	\$ 198,057	\$ 186,877

A change in interest rates at December 31, 2015 would not affect net income with respect to the fixed-rate instruments. Therefore, no sensitivity analysis is provided for the fixed-rate instruments.

An increase/decrease of 100 basis points in interest rates at December 31, 2015 for the variable-rate financial instruments would have increased/decreased the loss for the year by \$1,981 (on a pre-tax basis).

## 18. Capital structure financial policies:

Chartwell's primary objectives in managing capital are:

- (a) to ensure that Chartwell has sufficient capital to execute on its strategic objectives, including targeted investments in maintenance and improvements of its property portfolio, development and acquisitions activities;
- (b) to achieve the lowest overall cost of capital consistent with the appropriate mix of capital elements while ensuring that Chartwell complies with certain financial and non-financial covenants included in loan agreements; and
- (c) to provide growing distributions to unitholders.

In managing its capital structure, Chartwell takes into consideration various factors, including changes in economic conditions, growth of its business and risk characteristics of the underlying assets.

Management defines capital as Chartwell's total unitholders' equity, Class B units and long term debt. Chartwell's long term debt primarily includes mortgages payable and convertible debentures.

The Board of Trustees is responsible for overseeing Chartwell's capital management and does so through quarterly Trustees' meetings and review of financial information. The Board of Trustees also determines the level of any distributions that should be made.

In order to maintain or adjust the capital structure, Chartwell may issue new units, buy back units, issue new debt or issue new debt to replace existing debt with different characteristics, adjust the amount of distributions paid to unitholders or undertake other activities, as deemed appropriate under specific circumstances.

Chartwell's Declaration of Trust limits the amount of indebtedness that Chartwell can incur to 60% of adjusted gross book value ("GBV"), excluding convertible debentures, or 65% of GBV, including convertible debentures ("Indebtedness ratios").

GBV means, at any time, the consolidated book value of the assets of Chartwell, as shown on Chartwell's most recent consolidated balance sheets (or if approved by a majority of the Independent Directors of Master LP at any time, the appraised value thereof), adjusted for Chartwell's line-by-line share of its joint ventures, plus the amount of accumulated depreciation and amortization shown thereon or in the notes thereto less the carrying value of any deferred consideration on business combinations in the notes thereto, plus the difference between the GBV of assets under Canadian generally accepted accounting principles and IFRS at January 1, 2010, Chartwell's effective IFRS transition date, and the related costs in respect of completed property acquisitions that were expensed in the period incurred.

Debt includes any obligation for borrowed money, any obligation incurred in connection with the acquisition of property, assets or business, other than deferred income tax liability, any capital lease obligation and any guaranteed obligations of third parties to the extent included in the consolidated balance sheets, adjusted for Chartwell's line-by-line share of its joint ventures. Debt is determined on a consolidated basis for Chartwell and its consolidated subsidiaries.

The following are the Indebtedness ratios at December 31, 2015 and 2014:

	2015	2014	Increase (decrease)
Excluding convertible debentures	45.9%	51.9%	(6.0%)
Including convertible debentures	49.7%	55.4%	(5.7%)

Chartwell's strategy for capital management is driven by policies stated under the Declaration of Trust and external requirements from certain of its lenders. Under the terms of Chartwell's loan agreements with these lenders, Chartwell is required to meet certain financial and non-financial covenants. These covenants include: maintaining minimum equity, required debt service coverage ratios, indebtedness ratios, minimum liquidity, intended property use, limitations on the amount of cash distributions that can be paid to unitholders and other covenants. There have been no changes in Chartwell's capital management strategy during the year.

## 19. *Personnel expenses:*

The analysis of employee benefits expense for the year ended December 31, 2015 and 2014, included in the consolidated statements of comprehensive income (loss) under direct operating expenses and general, administrative and trust expenses, is as follows:

	2015	2014
Salaries and wages	\$ 336,987	\$ 326,161
Post-employment benefits (defined contribution plans)	4,960	4,697
Unit-based compensation	3,493	3,149
	<u>\$ 345,440</u>	<u>\$ 334,007</u>

## 20. Other income (expense):

	2015	2014
Reversal of previously recorded provisions for impairment of mezzanine loans (a)	\$ –	\$ 1,245
Gain on disposal of assets (b)	4,967	7,174
Gain recorded on remeasurement of previously held interest on acquisition (note 3)	10,452	435
Interest and other income	3,486	4,774
Other income	18,905	13,628
Property lease expense	(447)	(395)
Impairment of PP&E, net of reversals (c)	(3,755)	–
Transaction costs arising on acquisitions and dispositions	(12,034)	(2,886)
Other (expense)	(16,236)	(3,281)
Other income (expense)	\$ 2,669	\$ 10,347

(a) On March 31, 2014, a mezzanine loan borrower repaid its \$1,245 mezzanine loan to Chartwell. As a result, Chartwell recorded a reversal of previously recorded impairment provisions for mezzanine loan of \$1,245.

(b) Gain on disposal of assets:

On June 2, 2015, Chartwell sold a non-core property in Quebec, included in the Canadian Retirement Segment. The sale price was \$8,000 and was settled through the purchaser's assumption of a mortgage in amount of \$5,252 and a \$1,500 vendor take-back mortgage provided by Chartwell with the balance of the purchase price paid in cash. Chartwell recorded a gain on sale of this asset of \$3,321.

For the year ended December 31, 2015, Chartwell completed other disposals of assets and recorded a gain of \$1,646.

On May 1, 2014, Chartwell completed the sale of a 14-property (945 suites) portfolio in Ontario. The sale price was \$65,950 and was satisfied in part by the purchaser assuming mortgages in the amount of \$19,303 and by Chartwell providing the purchaser with vendor take-back mortgages totalling \$6,000, with the balance of the purchase price, net of closing costs, was received in cash. Chartwell recorded a gain on sale of assets of \$351.

On July 2, 2014, Chartwell and its joint venture partner completed the previously announced sale of a 196-suite property located in Ontario for \$24,500 for 100% interest. Chartwell owned a 50% interest in this property. The balance of the purchase price, net of closing costs, was received in cash. Chartwell recorded a gain on sale of assets of \$5,775.

For the year ended December 31, 2014, Chartwell completed other disposals of assets and recorded a gain of \$1,048.

- (c) On November 11, 2015, Chartwell sold two non-core properties in Quebec, included in the Canadian Retirement Segment. The sale price was \$12,000 and was settled through the purchaser's assumption of a mortgage of \$11,467 and cash. As a result, previously recorded property impairment provisions of \$1,626 were reversed.

During 2015, Chartwell recorded impairment provisions of \$5,381 on four properties located in Quebec and Ontario.

## 21. Finance costs:

	2015	2014
Contractual mortgage interest expense	\$ 61,127	\$ 64,194
Interest expense on convertible debentures	7,690	7,695
Credit Facility and other interest expense	2,737	4,353
	71,554	76,242
Interest capitalized to properties under development	(240)	(239)
Amortization of financing costs and mark-to-market adjustment on assumption of mortgages payable	(193)	(508)
Distributions on Class B Units recorded as interest expense	956	889
Total finance costs	\$ 72,077	\$ 76,384

## 22. Changes in fair values of financial instruments and foreign exchange losses:

	2015	2014
Changes in fair value of convertible debentures	\$ (10,703)	\$ (7,195)
Changes in fair value of interest rate swap	(669)	(47)
Foreign exchange gains (losses)	10,675	(1,747)
Changes in fair value of LTIP option component	(1,183)	(1,831)
Changes in fair value of Class B Units	(783)	(3,209)
Changes in fair value of Deferred Trust Units	(1,053)	(1,588)
Change in fair value of income guarantees	1,425	—
Changes in fair values of financial instruments and foreign exchange losses	\$ (2,291)	\$ (15,617)

## 23. *Income taxes:*

The income tax benefit - continuing operations in the consolidated statements of comprehensive income (loss) represents an effective tax rate different than the Canadian tax rate applicable to trusts on undistributed income of 49.53%. The differences for the years ended December 31 are as follows:

	2015	2014
Income (loss) before income taxes from continuing operations	\$ 5,263	\$ (28,252)
Income tax expense (recovery) at Canadian tax rate	\$ 2,607	\$ (13,993)
Non-deductible expenses	1,212	2,945
Income not subject to tax	(6,296)	(15,573)
Recovery of prior year SIFT tax	—	(2,218)
Tax benefits not recognized	9,838	22,342
Recognition of previously unrecognized tax benefits	(14,833)	(2,128)
Change in enacted tax rate	(5,074)	—
Effect of tax rates in corporate subsidiary	(191)	—
Non-deductible fair value changes	6,797	5,257
Other	(936)	1,146
Income tax benefit - continuing operations	\$ (6,876)	\$ (2,222)

Recognition of previously unrecognized tax benefits in the year ended December 31, 2015 includes \$8,216 resulting from the acquisition of a property accounted for as a business combination.

Deferred tax assets have not been recognized for the following:

	2015	2014
Deductible temporary differences	\$ 54,753	\$ 69,319
Non-capital and capital losses carried forward	21,378	16,788
	\$ 76,131	\$ 86,107

Chartwell has non-capital losses carried forward of \$13,130, which will expire between 2027 and 2029, and capital losses carried forward of \$8,248. The capital losses carried forward and deductible temporary differences do not expire under current legislation. Deferred tax assets have not been recognized in respect of these items as it is not probable that future taxable income will be available against which these tax benefits will be utilized.

As a result of the sale of the U.S. subsidiary, Chartwell recorded a current tax expense of \$56,176 in discontinued operations. This current expense is primarily attributable to the U.S. taxes payable on the disposition of the shares of the U.S. subsidiary.

## 24. Commitments and contingencies:

Chartwell's major contractual obligations as at December 31, 2015 are detailed in the following table:

	Note	Total	2016	2017	2018	2019	2020	Thereafter
Mortgages payable	10(a)	\$ 1,531,916	\$ 157,953	\$ 106,981	\$ 117,432	\$ 258,825	\$ 155,732	\$ 734,993
Accounts payable and other liabilities	12	114,036	114,036	-	-	-	-	-
Distributions payable		8,243	8,243	-	-	-	-	-
Convertible debentures	11	134,851	-	-	134,851	-	-	-
Credit Facility	10(b)	32,000	32,000	-	-	-	-	-
Purchase obligations	24(b)	8,707	8,707	-	-	-	-	-
Operating leases	24(a)(i)	7,633	1,217	1,170	1,170	1,159	1,129	1,788
Land leases	24(a)(ii)	14,480	395	395	395	395	395	12,505
<b>Total contractual obligations</b>		<b>\$ 1,851,866</b>	<b>\$ 322,551</b>	<b>\$ 108,546</b>	<b>\$ 253,848</b>	<b>\$ 260,379</b>	<b>\$ 157,256</b>	<b>\$ 749,286</b>

(a) Lease obligations:

(i) Operating leases:

Chartwell has operating leases on office space in Canada that expire on various dates up to July 31, 2022. In aggregate, annual payments on these leases vary from \$1,129 to \$1,217 over the remaining terms of the leases.

(ii) Land leases:

Chartwell has commitments related to three properties located on lands subject to long-term land leases. A land lease on a property in Alberta, Canada expires on July 17, 2061, and requires annual payments of \$126. A land lease on a property in Ontario expires on August 31, 2044, and requires annual payments of \$113 through to August 31, 2024, and \$136 for the remainder of the term. A land lease on another property in Ontario expires on May 31, 2048 with minimum lease payments of \$156, negotiated to market on May 31, 2018, and every 15-year anniversary thereafter.

For the above leases, legal title does not pass to Chartwell. Chartwell has determined that substantially all of the risks and rewards incidental to ownership are still with the lessor and, as such, these leases are operating leases.

(b) Purchase obligations:

Chartwell has entered into various construction contracts related to various development and asset improvement projects. As at December 31, 2015, the remaining commitments under these contracts amounted to approximately \$207. In addition, Chartwell entered into an agreement to acquire vacant land for \$8,500. This transaction closed in January 2016.

Under Chartwell's agreements with Batimo, upon achievement of certain conditions, Batimo may require Chartwell to acquire an 85% interest in their development properties in which Chartwell participates as the operations manager and, in some cases, as the mezzanine lender, at 99% of Fair Market Value ("FMV"), as defined in the agreements ("Batimo Option"). Batimo Option is for a five year period commencing on opening of the related facility. Upon expiry of the Batimo Option Chartwell has a two year option to require Batimo to sell an 85% interest in the property at FMV, as defined in the agreements. At December 31, 2015, there are five projects with 1,170 suites that are subject to this arrangement.

(c) Letters of credit:

As at December 31, 2015, Chartwell was contingently liable for letters of credit in the amount of \$4,002 (2014 - \$4,869).

(d) Guarantees:

As a result of the purchasers' assumption of certain mortgages on seven properties sold in 2014 and one property sold in 2015, Chartwell remains a guarantor of these mortgages. As at December 31, 2015, outstanding balances on these loans were \$12,787. The purchasers have indemnified Chartwell with respect to these guarantees.

Chartwell, with its partners, has jointly and severally guaranteed loans on two properties, which are 50% owned by Chartwell, and three properties, which are 85% owned by Chartwell, to a maximum amount of \$73,638. As at December 31, 2015, outstanding balances on these loans were \$67,294.



(e) Litigation and claims:

In the ordinary course of business activities, Chartwell may be contingently liable for litigation and claims from, among others, residents, partners and former employees. Management believes that adequate provisions have been recorded in the accounts, where required. Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of Chartwell.

## **25. Key management personnel compensation:**

The remuneration of key management personnel of Chartwell during the years ended December 31, 2015 and 2014 was as follows:

	2015	2014
Officers' and directors' compensation	\$ 4,568	\$ 4,146
Post-employment benefits	63	61
Other long term benefits	949	796
Unit-based payments	193	317

Chartwell management has a senior executive committee, comprising officers of Chartwell, with the responsibility to provide strategic direction and oversight to Chartwell. The above table includes the total compensation of members of the senior executive committee and directors of Chartwell.

## **26. Subsequent events:**

On February 25, 2016, Chartwell announced a 2.0% increase in the monthly cash distributions from \$0.0459 per unit (\$0.5508 per unit on an annualized basis) to \$0.046818 per unit (\$0.561816 per unit on an annualized basis) effective for the March 31, 2016 distribution payable on April 15, 2016.

# Corporate and Unitholder Information

## TRUSTEES AND/OR DIRECTORS

**Michael Harris, Chair** <sup>(2)</sup>

**André Kuzmicki** <sup>(3)</sup>

**Huw Thomas** <sup>(1)</sup>

**Lise Bastarache** <sup>(1) (3)</sup>

**Sidney Robinson** <sup>(1) (2)</sup>

**Sharon Sallows** <sup>(2) (3)</sup>

**Thomas Schwartz** <sup>(2) (3)</sup>

**Brent Binions**

<sup>(1)</sup> Audit Committee

<sup>(2)</sup> Compensation, Governance  
and Nominating Committee

<sup>(3)</sup> Investment Committee

## OFFICERS AND SENIOR MANAGEMENT

**Brent Binions**

President and Chief Executive Officer

**Karen Sullivan**

Chief Operating Officer

**Vlad Volodarski**

Chief Financial Officer and  
Chief Investment Officer

**Sheri Chateauvert**

Chief Administrative Officer

**Jonathan Boulakia**

Chief Legal Officer

## UNITHOLDER INFORMATION

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Toll free: (888) 584-2386  
Facsimile: (905) 501-0813  
chartwell.com

### Auditors

KPMG LLP,  
Toronto, Ontario

### Legal Counsel

Osler, Hoskin & Harcourt LLP,  
Toronto, Ontario

### Stock Exchange Listing

Toronto Stock Exchange (CSH.UN)

### Transfer Agent and Registrar

Computershare Investor Services  
Toronto, Ontario  
Telephone: (800) 564-6253  
Facsimile: (866) 249-7775  
Email: service@computershare.com

### Unitholder and Investor Contact

Vlad Volodarski, Chief Financial Officer  
and Chief Investment Officer  
Email: investorrelations@chartwell.com

### Annual Meeting of Unitholders

4:30pm ET - Thursday, May 19, 2016  
St. Andrew's Club and Conference Centre  
150 King Street West, Toronto, Ontario

## DISTRIBUTION REINVESTMENT PLAN

Chartwell's Distribution Reinvestment Plan ("DRIP") allows unitholders to use their monthly cash distributions to steadily increase ownership in Chartwell without incurring any commission or brokerage fees.

To encourage participation, eligible investors registered in the DRIP will receive additional bonus units in an amount equal to 3% of their cash distributions. The right to receive the bonus units is being provided for no additional consideration.

Unitholders who are Canadian residents are eligible to participate. To register for the DRIP, please contact your investment advisor.

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